

**NAPOLEON TOWNSHIP**  
JACKSON COUNTY, MICHIGAN

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2006

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name NAPOLEON TOWNSHIP	County JACKSON
Fiscal Year End 06/30/2006	Opinion Date 12/20/2006	Date Audit Report Submitted to State 12/22/2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

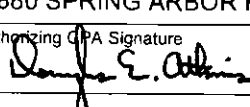
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) MARKOWSKI & COMPANY CPAs		Telephone Number (517) 782-9351	
Street Address 2880 SPRING ARBOR RD		City JACKSON	State MI
			Zip 49203
Authorizing CPA Signature 		Printed Name DOUGLAS E. ATKINS, CPA	License Number 1101016353

**NAPOLEON TOWNSHIP**  
**ANNUAL FINANCIAL REPORT**

**TABLE OF CONTENTS**

	<u>PAGE NUMBER</u>
INDEPENDENT AUDITOR'S REPORT	1-2
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT-WIDE STATEMENTS:	
GOVERNMENT-WIDE STATEMENT OF NET ASSETS	3
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES	4-5
FUND FINANCIAL STATEMENTS:	
GOVERNMENTAL FUND BALANCE SHEET	6
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE BALANCE SHEET TO THE STATEMENT OF NET ASSETS	7
GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE	8
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES	9
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS	10-11
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS – PROPRIETARY FUNDS	12-13
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS	14-17
STATEMENT OF NET ASSETS – FIDUCIARY FUNDS	18
STATEMENT OF CHANGES IN NET ASSETS – PENSION TRUST FUND	19
NOTES TO THE FINANCIAL STATEMENTS	20-39
REQUIRED SUPPLEMENTARY INFORMATION:	
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND	40
OTHER SUPPLEMENTARY INFORMATION:	
NONMAJOR GOVERNMENTAL FUND COMBINING STATEMENTS:	
COMBINING BALANCE SHEET	41-42
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE	43-44

**NAPOLEON TOWNSHIP**  
**ANNUAL FINANCIAL REPORT**

TABLE OF CONTENTS (Continued)

	<u>PAGE NUMBER</u>
ADDITIONAL INFORMATION:	
INDIVIDUAL FUND FINANCIAL STATEMENTS:	
GENERAL FUND FINANCIAL STATEMENTS:	
BALANCE SHEET	45
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE	46-52
MUNICIPAL BUILDING DEBT SERVICE FUND FINANCIAL STATEMENTS:	
BALANCE SHEET	53
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE	54
CEMETERY EXPANSION SPECIAL REVENUE FUND:	
BALANCE SHEET	55
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	56
STREET LIGHT SPECIAL REVENUE FUND –	
BALANCE SHEET	57
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	58
IMPROVEMENT REVOLVING SPECIAL REVENUE FUND:	
BALANCE SHEET	59
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	60
BUILDING CODE ENFORCEMENT SPECIAL REVENUE FUND -	
BALANCE SHEET	61
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	62
CEMETERY URN SPECIAL REVENUE FUND –	
BALANCE SHEET	63
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	64

**NAPOLEON TOWNSHIP**  
**ANNUAL FINANCIAL REPORT**

TABLE OF CONTENTS (Continued)

	<u>PAGE NUMBER</u>
ADDITIONAL INFORMATION: (Continued)	
INDIVIDUAL FUND FINANCIAL STATEMENTS: (Continued)	
MEMORIAL SPECIAL REVENUE FUND –	
BALANCE SHEET	65
STATEMENT OF REVENUES, EXPENDITURES, AND	
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	66
PARKS ENDOWMENT SPECIAL REVENUE FUND –	
BALANCE SHEET	67
STATEMENT OF REVENUES, EXPENDITURES, AND	
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	68
SEWER DISTRICT #1 ENTERPRISE FUND:	
BALANCE SHEET	69
STATEMENT OF REVENUES, EXPENSES AND	
CHANGES IN RETAINED EARNINGS	70
STATEMENT OF CASH FLOWS	71-72
SEWER DISTRICT #2 ENTERPRISE FUND:	
BALANCE SHEET	73
STATEMENT OF REVENUES, EXPENSES AND	
CHANGES IN RETAINED EARNINGS	74
STATEMENT OF CASH FLOWS	75-76
SEWER DISTRICT #9 ENTERPRISE FUND:	
BALANCE SHEET	77
STATEMENT OF REVENUES, EXPENSES AND	
CHANGES IN RETAINED EARNINGS	78
STATEMENT OF CASH FLOWS	79-80
WATER DISTRICT #1 ENTERPRISE FUND:	
BALANCE SHEET	81
STATEMENT OF REVENUES, EXPENSES AND	
CHANGES IN RETAINED EARNINGS	82
STATEMENT OF CASH FLOWS	83-84

**NAPOLEON TOWNSHIP**  
**ANNUAL FINANCIAL REPORT**

TABLE OF CONTENTS (Continued)

	<u>PAGE NUMBER</u>
ADDITIONAL INFORMATION: (Continued)	
INDIVIDUAL FUND FINANCIAL STATEMENTS: (Continued)	
PENSION TRUST FUND:	
BALANCE SHEET	85
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE	86
AGENCY FUNDS:	
COMBINING BALANCE SHEET	87
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES	88-89
SCHEDULES OF PRINCIPAL AND INTEREST REQUIREMENTS:	
MUNICIPAL BUILDING BONDS - \$3,215,000	90
SEWER DISTRICT #1 CAPITAL LEASE PAYABLE - \$1,125,000	91
SEWER DISTRICT #2 CAPITAL LEASE PAYABLE - \$3,759,770	92

# MARKOWSKI & COMPANY

## CERTIFIED PUBLIC ACCOUNTANTS

2880 SPRING ARBOR ROAD • JACKSON • MICHIGAN • 49203

PHONE (517) 782-9351

FAX (517) 782-0599

K. LAVERNE MARKOWSKI, C.P.A.  
RONALD L. MARKOWSKI, C.P.A.  
DOUGLAS E. ATKINS, C.P.A.

**MEMBERS:**  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

ESTATE PLANNING COUNCIL OF  
SOUTH CENTRAL MICHIGAN

### INDEPENDENT AUDITOR'S REPORT

Napoleon Township Board  
Napoleon, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Napoleon Township, Michigan, (the "Township"), which collectively comprise the basic financial statements, as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

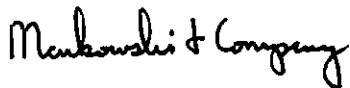
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major funds, and the aggregate remaining fund information of the Township at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, of those activities and funds and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Township has elected not to present Management's Discussion and Analysis as required supplementary information. The GASB has determined that such information is necessary to supplement, although not required to be a part of, the basic financial statements.

Napoleon Township Board  
Napoleon, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining and individual fund statements and schedules described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**MARKOWSKI & COMPANY CPAs**  
December 20, 2006



**NAPOLEON TOWNSHIP**

**BASIC FINANCIAL STATEMENTS**

GOVERNMENT-WIDE FINANCIAL STATEMENTS

FUND FINANCIAL STATEMENTS

**NAPOLEON TOWNSHIP**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**STATEMENT OF NET ASSETS**

**STATEMENT OF ACTIVITIES**

NAPOLEON TOWNSHIP  
GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
JUNE 30, 2006

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 867,228	\$ 841,143	\$ 1,708,371
Investments	171,521	-	171,521
Accounts receivable	4,659	122,091	126,750
Prepaid expenses	18,754	-	18,754
Internal balances	1,099	(1,099)	-
Due from other governments	240,132	-	240,132
Special assessments receivable - Current	-	193,509	193,509
Total current assets	1,303,393	1,155,644	2,459,037
<b>NONCURRENT ASSETS:</b>			
Capital assets not being depreciated	136,096	34,450	170,546
Capital assets being depreciated, net	3,026,045	6,800,528	9,826,573
Investment in joint venture	-	815,397	815,397
Special assessments receivable - Long Term	-	2,375,668	2,375,668
Bond issuance costs	68,882	-	68,882
Total noncurrent assets	3,231,023	10,026,043	13,257,066
Total assets	4,534,416	11,181,687	15,716,103
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	114,889	29,301	144,190
Due to other governments	-	-	-
Long -term debt payable - Current portion	175,000	241,825	416,825
Accrued interest payable	25,277	45,690	70,967
Accrued payroll	2,554	-	2,554
Accrued leave payable	28,310	-	28,310
Deferred revenue	-	27,837	27,837
Total current liabilities	346,030	344,653	690,683
<b>NONCURRENT LIABILITIES:</b>			
Long -term debt payable - Net of current portion	2,790,633	3,662,280	6,452,913
Total liabilities	3,136,663	4,006,933	7,143,596
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	196,508	2,930,873	3,127,381
Restricted	13,193	3,499,575	3,512,768
Unrestricted	1,185,950	744,306	1,930,256
Total net assets	\$ 1,397,753	\$ 7,174,754	\$ 8,570,405

The notes to the financial statements are an integral part of this statement.

NAPOLEON TOWNSHIP  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
THE YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Legislative	\$ 55,786	\$ -	\$ -	\$ -
General government	425,412	75,651	4,053	-
Public safety	656,313	120,175	1,924	116,335
Community planning	30,411	9,060	-	-
Public works	40,034	20,020	5,617	-
Recreational and cultural	3,387	-	-	-
Other functions	1,122	-	-	-
Interest on long term debt	170,959	-	-	-
Total governmental activities	1,383,424	224,906	11,594	116,335
Business-type activities				
Sewer	469,259	295,260	-	43,749
Water	57,065	32,006	-	14,150
Total business-type activities	526,324	327,266	-	57,899
Total government	\$ 1,909,748	\$ 552,172	\$ 11,594	\$ 174,234

General revenues:  
Property taxes  
State-shared revenues  
Interest and rental income  
Franchise fees  
Gain on sale of fixed assets  
Other income  
Total general revenues

Change in net assets  
Net assets - Beginning  
Net assets - Ending

The notes to the financial statements are an integral part of this statement.

Net (Expenses) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (55,786)	\$ -	\$ (55,786)
(345,708)	-	(345,708)
(417,879)	-	(417,879)
(21,351)	-	(21,351)
(14,397)	-	(14,397)
(3,387)	-	(3,387)
(1,122)	-	(1,122)
(170,959)	(210,334)	(381,293)
(1,030,589)	(210,334)	(1,240,923)
-	(130,250)	(130,250)
-	(10,909)	(10,909)
-	(141,159)	(141,159)
(1,030,589)	(351,493)	(1,382,082)
483,328	-	483,328
478,024	-	478,024
60,747	208,181	268,928
26,481	-	26,481
3,300	-	3,300
20,710	-	20,710
1,072,590	208,181	1,280,771
42,001	(143,312)	(101,311)
1,355,752	7,318,066	8,673,818
\$ 1,397,753	\$ 7,174,754	\$ 8,572,507

**NAPOLEON TOWNSHIP**

**FUND FINANCIAL STATEMENTS**

GOVERNMENTAL FUND BALANCE SHEET

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE

RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -  
PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

STATEMENT OF NET ASSETS - FIDUCIARY FUNDS

STATEMENT OF CHANGES IN NET ASSETS - PENSION TRUST FUND

**NAPOLEON TOWNSHIP**  
**GOVERNMENTAL FUND BALANCE SHEET**  
**JUNE 30, 2006**

	GENERAL FUND	DEBT SERVICE FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 642,278	\$ 100,598	\$ 124,352	\$ 867,228
Investments	-	-	171,521	171,521
Prepaid expenses	18,754	-	-	18,754
Due from other funds	9,660	-	500	10,160
Due from other governments	240,132	-	-	240,132
Total assets	910,824	100,598	296,373	1,307,795
<b>LIABILITIES:</b>				
Accounts payable	101,278	7,866	3,685	112,829
Accrued payroll	2,554	-	-	2,554
Due to other funds	499	2,195	3,768	6,462
Due to other governments	-	-	-	-
Total liabilities	104,331	10,061	7,453	121,845
<b>FUND BALANCES:</b>				
Designated	-	-	190,614	190,614
Reserved	27,197	90,537	4,750	122,484
Unreserved and undesignated	779,296	-	93,556	872,852
Total fund balances	\$ 806,493	\$ 90,537	\$ 288,920	\$ 1,185,950

The notes to the financial statements are an integral part of this statement.

NAPOLEON TOWNSHIP  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2006

Total fund balance - total governmental funds	\$ 1,185,950
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	
Add - Capital assets	4,401,179
Deduct - Accumulated depreciation	(1,239,038)
The issuance costs of the Township Hall construction bonds were expensed when paid in the governmental fund statements. These costs are capitalized and written off over the life of the bonds in the statement of net assets.	
Add - Bond issuance costs	91,847
Deduct - Accumulated amortization	(22,965)
Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	(2,965,633)
Interest on long term debt is reported on the accrual basis in the government-wide statements; unpaid interest not due during the current period is not reported on the governmental fund statements.	(25,277)
Accrued leave is not due and payable in the current period and, therefore, is not reported in the governmental funds balance sheet.	(28,310)
Net assets of governmental activities	\$ <u>1,397,753</u>

The notes to the financial statements are an integral part of this statement.



**NAPOLEON TOWNSHIP**  
**GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	GENERAL FUND	DEBT SERVICE FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>				
Taxes	\$ 232,650	\$ 250,678	\$ -	\$ 483,328
Licenses and permits	26,863	-	54,867	81,730
Intergovernmental	605,953	-	-	605,953
Charges for services	125,091	-	-	125,091
Fines and forfeitures	24,928	-	-	24,928
Interest and rents	47,010	4,205	9,532	60,747
Other	10,060	-	33,588	43,648
Total revenues	<u>1,072,555</u>	<u>254,883</u>	<u>97,987</u>	<u>1,425,425</u>
<b>EXPENDITURES:</b>				
Current:				
Legislative	55,786	-	-	55,786
General government	316,158	-	-	316,158
Public safety	476,573	-	70,002	546,575
Community planning and development	30,411	-	-	30,411
Public works	8,131	-	57,718	65,849
Recreational and cultural	2,028	-	30	2,058
Other functions	-	-	1,122	1,122
Capital outlay	201,741	-	2,792	204,533
Debt service	21,797	281,059	-	302,856
Total expenditures	<u>1,112,625</u>	<u>281,059</u>	<u>131,664</u>	<u>1,525,348</u>
<b>EXCESS (DEFICIENCY) OF REVENUES REVENUES OVER EXPENDITURES</b>	<u>(40,070)</u>	<u>(26,176)</u>	<u>(33,677)</u>	<u>(99,923)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfer in	-	-	-	-
Operating transfer (out)	-	-	-	-
Proceeds from long term debt	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>(40,070)</u>	<u>(26,176)</u>	<u>(33,677)</u>	<u>(99,923)</u>
<b>FUND BALANCE - Beginning</b>	<u>846,563</u>	<u>116,713</u>	<u>322,597</u>	<u>1,285,873</u>
<b>FUND BALANCE - End of year</b>	<u>\$ 806,493</u>	<u>\$ 90,537</u>	<u>\$ 288,920</u>	<u>\$ 1,185,950</u>

The notes to the financial statements are an integral part of this statement.

NAPOLEON TOWNSHIP  
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
THE YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds	\$ (99,923)
Amounts reported for governmental activities in the statement of activities are different because:	
Government funds report capital outlay as expenditures. However, in the government wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets purchased in the current period (net of \$87,300 financed through the Road Commission).	212,016
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(201,365)
Earned leave expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.	(624)
Costs related to the issuance of the Township Hall construction bonds were expensed when paid in the governmental fund financial statements. These costs are capitalized and written off over the life of the bonds in the government-wide statements.	(4,593)
Interest on long term debt is reported as an expenditure when paid; the government-wide statements accrue the interest payable between the scheduled payments. The current year change in accrued interest payable is	1,490
The payments of long term debt consumes the current financial resources of governmental funds, and is reported as an expenditure. These payments reduce the liability on the government-wide financial statements.	135,000
Change in net assets of governmental activities	<u>\$ 42,001</u>

The notes to the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2006**

	SEWER FUNDS		
	SEWER #1	SEWER #2	SEWER #9
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 469,537	\$ 46,244	\$ 243,082
Investments	-	-	-
Accounts receivable	8,440	9,752	6,508
Interest Receivable	-	-	-
Special assessments receivable - Current	51,934	139,507	-
Due from other funds	1,673	91,314	-
Total current assets	<u>531,584</u>	<u>286,817</u>	<u>249,590</u>
<b>NONCURRENT ASSETS:</b>			
Capital assets not being depreciated	-	-	-
Capital assets being depreciated, net	1,203,716	3,600,783	528,154
Investment in joint venture	-	815,397	-
Special assessments receivable - Long Term	681,538	1,682,861	-
Total noncurrent assets	<u>1,885,254</u>	<u>6,099,041</u>	<u>528,154</u>
Total assets	<u>2,416,838</u>	<u>6,385,858</u>	<u>777,744</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	17,677	6,288	3,838
Capital lease payable - Current portion	50,000	191,825	-
Accrued interest payable	7,229	38,461	-
Due to other funds	517	919	402
Deferred revenue	8,863	9,529	6,813
Total current liabilities	<u>84,286</u>	<u>247,022</u>	<u>11,053</u>
<b>NONCURRENT LIABILITIES:</b>			
Capital lease payable - Long term portion	900,000	2,762,280	-
Total noncurrent liabilities	<u>900,000</u>	<u>2,762,280</u>	<u>-</u>
Total liabilities	<u>984,286</u>	<u>3,009,302</u>	<u>11,053</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	253,716	646,678	528,154
Restricted for Capital Lease Retirement	844,660	2,654,915	-
Unrestricted	334,176	74,963	238,537
Total net assets	<u>\$ 1,432,552</u>	<u>\$ 3,376,556</u>	<u>\$ 766,691</u>

The notes to the financial statements are an integral part of this statement.

SEWER			
TOTAL	WATER #1	TOTAL	
\$ 758,863	\$ 82,280	\$ 841,143	
-	-	-	
24,700	4,862	29,562	
-	-	-	
191,441	2,068	193,509	
92,987	1,084	94,071	
1,067,991	90,294	1,158,285	
-	34,450	34,450	
5,332,653	1,467,875	6,800,528	
815,397	-	815,397	
2,364,399	11,269	2,375,668	
8,512,449	1,513,594	10,026,043	
9,580,440	1,603,888	11,184,328	
27,803	1,498	29,301	
241,825	-	241,825	
45,690	-	45,690	
1,838	803	2,641	
25,205	2,632	27,837	
342,361	4,933	347,294	
3,662,280	-	3,662,280	
3,662,280	-	3,662,280	
4,004,641	4,933	4,009,574	
1,428,548	1,502,325	2,930,873	
3,499,575	-	3,499,575	
647,676	96,630	744,306	
\$ 5,575,799	\$ 1,598,955	\$ 7,174,754	

**NAPOLEON TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**THE YEAR ENDED JUNE 30, 2006**

	SEWER FUNDS		
	SEWER #1	SEWER #2	SEWER #9
OPERATING REVENUES:			
Charges for services:			
Usage	\$ 96,853	\$ 113,963	\$ 81,675
Other:			
Penalties	694	488	1,587
Miscellaneous	-	-	-
Total other revenue	694	488	1,587
Total operating revenues	97,547	114,451	83,262
OPERATING EXPENSES:			
Operating supplies	-	-	-
Administrative and legal	11,341	28,912	12,764
Printing and publications	-	-	-
Insurance and bonds	517	272	402
Utilities	2,100	697	2,028
Treatment/transportation fees	53,160	75,155	30,085
Repairs and maintenance	25,689	7,421	18,054
Depreciation	34,407	100,022	27,911
Miscellaneous	418	604	48
Total operating expenses	127,632	213,083	91,292
OPERATING INCOME (LOSS)	(30,085)	(98,632)	(8,030)
NONOPERATING REVENUES (EXPENSES):			
Connection fees	36,224	7,525	-
Connection expenses	(26,936)	(10,316)	-
Interest income	60,937	137,183	7,605
Interest expenses	(45,964)	(164,370)	-
Net nonoperating revenues (expenses)	24,261	(29,978)	7,605
CHANGE IN NET ASSETS	(5,824)	(128,610)	(425)
NET ASSETS - Beginning of year	1,438,376	3,505,166	767,116
NET ASSETS - End of year	\$ 1,432,552	\$ 3,376,556	\$ 766,691

The notes to the financial statements are an integral part of this statement.

<u>SEWER</u> <u>TOTAL</u>	<u>WATER #1</u>	<u>TOTALS</u>
\$ 292,491	\$ 31,581	\$ 324,072
2,769	425	3,194
-	-	-
2,769	425	3,194
295,260	32,006	327,266
-	5,074	5,074
53,017	5,674	58,691
-	-	-
1,191	679	1,870
4,825	1,269	6,094
158,400	-	158,400
51,164	8,452	59,616
162,340	35,843	198,183
1,070	74	1,144
432,007	57,065	489,072
(136,747)	(25,059)	(161,806)
43,749	14,150	57,899
(37,252)	-	(37,252)
205,725	2,456	208,181
(210,334)	-	(210,334)
1,888	16,606	18,494
(134,859)	(8,453)	(143,312)
5,710,658	1,607,408	7,318,066
\$ 5,575,799	\$ 1,598,955	\$ 7,174,754

**NAPOLEON TOWNSHIP**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	SEWER FUNDS		
	SEWER #1	SEWER #2	SEWER #9
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 97,260	\$ 112,455	\$ 82,383
Cash payments for goods and services	(81,137)	(112,777)	(62,730)
Net cash from operating activities	16,123	(322)	19,653
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Investment in joint venture	-	(256,518)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Special assessment installments collected	122,644	345,554	-
Principal payments	(50,000)	(191,825)	-
Interest payments	(46,474)	(169,621)	-
Purchases of capital assets	-	-	-
Net cash from capital and related financing activities	26,170	(15,892)	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
Receipt of interest	15,632	1,719	7,605
Proceeds from investments	320,000	-	-
Purchase of investments	-	-	-
Net cash from investing activities	335,632	1,719	7,605
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	377,925	(271,013)	27,258
CASH AND CASH EQUIVALENTS - Beginning of year	91,612	317,257	215,824
CASH AND CASH EQUIVALENTS - End of year	\$ 469,537	\$ 46,244	\$ 243,082

The notes to the financial statements are an integral part of this statement.

<u>SEWER</u>		
<u>TOTAL</u>	<u>WATER #1</u>	<u>TOTAL</u>
\$ 292,098	\$ 32,873	\$ 324,971
(256,644)	(19,829)	(276,473)
35,454	13,044	48,498
(256,518)	-	(256,518)
468,198	2,650	470,848
(241,825)	-	(241,825)
(216,095)	-	(216,095)
-	-	-
10,278	2,650	12,928
24,956	2,290	27,246
320,000	-	320,000
-	-	-
344,956	2,290	347,246
134,170	17,984	152,154
624,693	64,296	688,989
\$ 758,863	\$ 82,280	\$ 841,143



**NAPOLEON TOWNSHIP**  
**STATEMENT OF CASH FLOWS - Continued**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	SEWER FUNDS		
	SEWER #1	SEWER #2	SEWER #9
A reconciliation of income from operations to net cash from operating activities is as follows:			
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ (30,085)	\$ (98,632)	\$ (8,030)
Adjustments to reconcile operating income to net cash from operating activities -			
Depreciation	34,407	100,022	27,911
Changes in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable	(521)	(2,015)	(878)
Due from other funds	(124)	272	-
(Decrease) increase in liabilities:			
Accounts payable	11,695	12	249
Due to other funds	517	-	402
Due to other governments	234	-	-
Deferred revenue	819	19	(1)
Net cash from operating activities	\$ 16,942	\$ (322)	\$ 19,653

The notes to the financial statements are an integral part of this statement.

<u>SEWER</u>		
<u>TOTAL</u>	<u>WATER #1</u>	<u>TOTAL</u>
\$ (136,747)	\$ (25,059)	\$ (161,806)
162,340	35,843	198,183
(3,414)	743	(2,671)
148	-	148
11,956	714	12,670
919	803	1,722
234	-	234
837	-	837
<u>\$ 36,273</u>	<u>\$ 13,044</u>	<u>\$ 49,317</u>

**NAPOLEON TOWNSHIP**  
**STATEMENT OF NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2006**

	<u>PENSION FUND</u>	<u>AGENCY FUNDS</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 120,286
Investments - At fair value	1,656,763	-
Accounts receivable	198	-
Due from other funds	-	2,060
Due from other governments	-	3,390
Total assets	<u>1,656,961</u>	<u>\$ 125,736</u>
 <b>LIABILITIES</b>		
Accounts payable	-	\$ -
Due to other funds	-	97,188
Due to others	-	26,998
Due to other governments	-	1,550
Deferred revenue	-	-
Total liabilities	<u>-</u>	<u>\$ 125,736</u>
 <b>NET ASSETS</b>		
Held in trust for pension benefits	<u>\$ 1,656,961</u>	

The notes to the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**PENSION TRUST FUND**  
**FOR THE YEAR ENDED JUNE 30 2006**

	PENSION TRUST FUND
OPERATING REVENUES:	
Investment income	\$ 137,074
Employee contributions	27,076
Employer contributions	33,504
Total operating revenues	<u>197,654</u>
OPERATING EXPENSES:	
Asset management fees	10,113
Employee withdrawals	-
Total operating expenses	<u>10,113</u>
NET INCOME	187,541
FUND BALANCE - Beginning of year	<u>1,469,420</u>
FUND BALANCE - End of year	<u><u>\$ 1,656,961</u></u>

The notes to the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NAPOLEON TOWNSHIP**  
**INDEX TO THE NOTES TO THE FINANCIAL STATEMENTS**

<u>NOTE</u>	<u>TITLE</u>	<u>PAGE NUMBER</u>
1	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:	20
	A. Reporting Entity	20
	B. Joint Venture	20
	C. Government-Wide and Fund Financial Statements	20
	D. Measurement Focus, Basis of Accounting and Financial Statement Presentation	21
	E. Assets, Liabilities, and Net Assets/Equity	24
	1. Deposits and Investments	24
	2. Receivables and Payables	24
	3. Prepaid Expenses	24
	4. Capital Assets	24
	5. Accrued Leave Payable	25
	6. Deferred Revenue	25
	7. Long-Term Obligations	25
	8. Fund Equity	26
	9. Comparative Data	26
	10. Estimates	26
2	STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:	27
	A. Budgetary Information	27
	B. Excess of Expenditures Over Appropriations	27
3	DEPOSITS AND INVESTMENTS	27
4	INTERFUND RECEIVABLES AND TRANSFERS	29
5	CAPITAL ASSETS	31
6	IVESTMENT IN JOINT VENTURE	32
7	SPECIAL ASSESSMENTS RECEIVABLE	33
8	LONG-TERM DEBT	33
	A. Governmental Activities Long-Term Debt	33
	B. Business-Type Activities Long-Term Debt	34
9	FUND EQUITY	36
	A. Reserves and Designations	36
10	PROPERTY TAXES	36

**NAPOLEON TOWNSHIP**  
INDEX TO THE NOTES TO THE FINANCIAL STATEMENTS (Continued)

<u>NOTE</u>	<u>TITLE</u>	<u>PAGE NUMBER</u>
11	PENSION PLAN	37
12	SEGMENT INFORMATION	37
13	RISK MANAGEMENT	38
14	COMMITMENTS AND CONTINGENCIES	38
	A. Delinquent Taxes	38
	B. Contractual Obligations	38
	C. Environmental Liabilities	38
15	SUBSEQUENT EVENTS	38
	A. Acquisition of Warning Sirens	38
	B. Capital Lease Refunding	39

**NAPOLEON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**

The accounting methods and procedures adopted by Napoleon Township conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the Township's general purpose financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**A. REPORTING ENTITY:**

Napoleon Township was organized in 1833 and is located in the eastern section of Jackson County, Michigan. The Township was organized under the Constitution and Statutes of the State of Michigan and provides services to its approximately 7,000 residents in many areas, including law enforcement, fire protection, water and sewer operations, community enrichment and development, human services, and general administrative services. Napoleon Township is a municipal corporation governed by an elected five member board.

As required by generally accepted accounting principles, these financial statements present the Township and all entities for which the government is considered financially accountable (component units). Napoleon Township had no component units during the year ended June 30, 2006.

**B. JOINT VENTURE:**

The Township participates in a joint venture with Grass Lake Charter Township for its Sewer District No. 2, the Wolf Lake Common Fund. The Townships forward all special assessment collections and a portion of the monthly service charge to this joint venture. The debt service payments and certain common system maintenance expenses are paid from the joint venture. The Township's equity in this joint venture is reported as an investment in these financial statements. A copy of the audited financial statements of this joint venture can be obtained from the Grass Lake Charter Township offices at 373 Lakeside Dr., Grass Lake, MI. 49240.

**C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:**

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods,



**NAPOLEON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES:** (Continued)

**C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:** (Continued)

services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as a separate column in the fund financial statements.

**D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. All other revenue items are considered to be available only when cash is received by the government.

The Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Municipal Building Debt Service Fund* accounts for the servicing of general long-term bonds issued to finance construction and equipping a Township administration/police/fire/library complex.

**NAPOLEON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES:** (Continued)

**D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION** (Continued)

The Township reports the following nonmajor funds:

The *Cemetery Expansion Special Revenue Fund* accounts for resources received from the sale of lots in the Township's Oak Grove Cemetery.

The *Improvement Revolving Special Revenue Fund* accounts for all resources set aside for future capital improvements.

The *Building Code Enforcement Special Revenue Fund* accounts for all activities of the building department. This fund was established to facilitate compliance with Michigan Public Act 245 of 1999, which requires that fees charged bear a reasonable relationship to the costs of operating a building department.

The *Street Lighting Special Revenue Fund* accounts for the costs of lighting certain portions of the Township, and the special assessments levied upon benefiting property owners to finance these districts.

The *Cemetery Urn Special Revenue Fund* accounts for the fund paid by lot owners restricted to purchasing flowers for display on Memorial Day annually, in perpetuity. The original amount of these funds, \$4,750, may not be spent and is accordingly shown as reserved fund balance in these financial statements; only the interest generated by these funds may be used.

The *Memorial Special Revenue Fund* accounts for donations received by the Township in memory of local residents. These funds are to be spent only on the police or fire departments, per donor instructions.

The *Parks Endowment Special Revenue Fund* accounts for funds donated to the Township to maintain, improve or expand recreational facilities within the Township.

The Township reports the following major proprietary funds:

The Sewer and Water Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

**NAPOLEON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES:** (Continued)

**D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION** (Continued)

The Township also reports the following fund types:

The *Pension Trust Fund* accounts for the activity of the Township's defined contribution retirement plan, which accumulates resources for retirement, benefit payments to qualified Township employees.

The *Agency Funds – Trust and Agency* and *Current Tax Funds* – account for assets held for other governments and individuals in an agency capacity.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards issued by the GASB. The Township has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's sewer and water function and various other functions of the Township. Elimination of these charges would distort the direct costs and program revenues for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes levied by the Township.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Township's proprietary funds relates to charges to customers for services provided. The Sewer and Water Funds also recognize the portion of tap on fees intended to recover current costs (e.g. the labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as capital grants and contributions. Operating costs for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is generally the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

**NAPOLEON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES:** (Continued)

**E. ASSETS, LIABILITIES, AND NET ASSETS/EQUITY**

**1. DEPOSITS AND INVESTMENTS**

The Township reports cash on hand, demand deposit bank accounts, short term investments with an original maturity of three months or less from the date of acquisition as *cash and cash equivalents*. Financial instruments not meeting these criteria are reported as *investments*. The Township reports investments at their fair value.

**2. RECEIVABLES AND PAYABLES**

In general, outstanding balances between funds are reported as “due to/from other funds”. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as “advances to/from other funds”. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”.

The Township has not established a reserve for uncollectible accounts based on its past experience.

**3. PREPAID EXPENSES**

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expenses in both government-wide and fund financial statements.

**4. CAPITAL ASSETS**

Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by Township policy as assets with an individual cost or value of \$3,000 or more when acquired and a useful three years or more. Purchased assets are recorded at their actual costs. Donated capital assets are reported at their estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, no interest expense was capitalized as part of the cost of assets under construction.

The Township also capitalizes its share of road improvement costs payable to the County Road Commission as intangible assets.

**NAPOLEON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**E. ASSETS, LIABILITIES, AND NET ASSETS/EQUITY (Continued)**

**4. CAPITAL ASSETS (Continued)**

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Land and Improvements	10-20
Building and Improvements	10-40
Sewer and Water Systems	10-50
Machinery and Equipment	5-20
Office Equipment	5
Vehicles	5-20
Intangible Assets	10-20

Depreciation is allocated to the appropriate function in the government-wide financial statements. Assets such as the municipal building, which is a multi-function facility, are allocated to the general government function.

**5. ACCRUED LEAVE PAYABLE:**

The Township policy is to accrue unused sick pay for all employees. At the end of the fiscal year, all accumulated sick leave is paid to the employees at half their regular rate of pay. Any unused vacation pay at the fiscal year end is forfeited by the employees. At the time the current policy was adopted, all employees with accumulated sick time were allowed to bank it. Such time may be used to supplement the annual allowance, or upon termination be paid to the employee at one-half the current rate of pay. A liability for this bank has been established in the government-wide financial statements.

**6. DEFERRED REVENUE:**

Deferred revenue is reported in the proprietary funds to reflect the fact that quarterly utility billings include the month of July, which is part of the next fiscal year.

**7. LONG-TERM OBLIGATIONS**

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other obligations are reported as liabilities in the appropriate governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. These costs are reported net of accumulated amortization as bond issuance costs.

**NAPOLEON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**E. ASSETS, LIABILITIES, AND NET ASSETS/EQUITY (Continued)**

**7. LONG-TERM OBLIGATIONS (Continued)**

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, as expenditures during the period incurred. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are recognized as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**8. FUND EQUITY**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation (e.g. prepaid expenses) or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**9. COMPARATIVE DATA**

Comparative data for the prior year has been presented in the individual fund financial statements included in the accompanying additional information in order to facilitate analysis of the fund's financial position and results of operations. This information was taken from the audited financial statements for the year ended June 30, 2005.

**10. ESTIMATES:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NAPOLEON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:**

**A. BUDGETARY INFORMATION:**

Formal budgetary integration is employed as a management control device during the year for the General Fund and all Special Revenue Funds. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budget amounts included in the financial statements are as originally adopted, and the final amended budget adopted by the Township Board. Budget amendments may be adopted by a simple majority vote of the Board at any open meeting of the Board. All appropriations lapse at the end of the fiscal year.

**B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS:**

Public Act #621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. In the body of the financial statements, the Township's actual and budgeted expenditures for the budgetary funds (General Operating and Special Revenue Funds) have been shown on a functional basis. The approved budgets of the Township for these funds were adopted to the departmental level. The Township adopted budgets for only the General Fund and the Building Code Enforcement Special Revenue Fund. Budgets were not adopted for the other special revenue funds, although they are required by state statute. For the year ended June 30, 2006, the Township incurred expenditures in the budgetary funds which were in excess of the amounts budgeted as follows:

	Amended Budget	Actual	Variance
<b>General Fund:</b>			
Township Treasurer	\$ 45,794	\$ 52,675	\$ (6,881)
Township Hall & Grounds	55,587	63,821	(8,234)
Cemetery Operations	22,691	27,107	(4,416)
Public Works	4,000	8,131	(4,131)
Capital Outlay	118,984	201,741	(82,757)

**NOTE 3 - DEPOSITS AND INVESTMENTS:**

Cash and investments as of June 30, 2006 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and cash equivalents	\$ 1,708,371
Investments	171,521
Fiduciary Funds:	
Cash and cash equivalents	120,286
Investments	1,656,763
	<u>\$ 3,656,941</u>

**NAPOLEON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 3 – DEPOSITS AND INVESTMENTS: (Continued)**

State statutes and Township policy authorize the Township to deposit and invest in the accounts of Federally insured banks; insured credit unions and savings and loan associations; bonds and other direct obligations of the United States, or an agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; commercial paper rated within the two highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Township's deposits are in accordance with statutory authority and Township policy.

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Township minimizes this risk by investing in shorter term securities and holding them to maturity.

The investments at June 30, 2006 consist of certificates of deposit with original maturities of more than 90 days, and various investments held by the Pension Trust Fund.

**Concentration of Credit Risk**

The Township's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law. The cash accounts are held at two local financial institutions. \$200,000 of the cash is covered by FDIC insurance; the remaining \$1,703,281 bank balance is uninsured.

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized; collateralized with securities held by the pledging financial institution; or collateralized with securities held by the pledging financial institution's trust department or agent but not in the Township's name.

The custodial credit risk for investments is that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Township will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following provision for deposits: Michigan law (MCL 129.33) requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 100% of the total amount deposited by the public agencies.



**NAPOLEON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 3 – CASH AND INVESTMENTS: (Continued)**

Cash and cash equivalents of the Township can be categorized as follows:

	Carrying Amount	Bank Balance
Cash on hand	\$ 100	\$ -
Insured (FDIC)	200,000	200,000
Uninsured and uncollateralized	1,628,557	1,703,281
	<u>\$ 1,828,657</u>	<u>\$ 1,903,281</u>

Reported in financial statements:

Governmental Funds	\$ 867,228
Proprietary Funds (Business-type)	841,143
Fiduciary Funds	120,286
	<u>\$ 1,828,657</u>

The Governmental Fund investments consist of six month certificate of deposits with a carrying amount and bank balance of \$171,521. These CDs are uninsured and uncollateralized.

Investments of the Pension Trust Fund have not been categorized for disclosure purposes.

**NOTE 4 – INTERFUND RECEIVABLES AND TRANSFERS:**

The amount of interfund receivables and payables at June 30, 2006 are as follows:

Fund	Receivable	Fund	Payable
General Fund	\$ 9,660	Improvement Revolving Fund	\$ 2,792
		Building Code Enforcement	976
		Municipal Building Debt Service	135
		Water #1 Fund	679
		Sewer #1 Fund	517
		Sewer #9 Fund	402
		Trust & Agency Fiduciary Fund	77
		Current Tax Fiduciary Fund	4,082
	<u>9,660</u>		<u>9,660</u>
Street Light Fund	<u>500</u>	Current Tax Fiduciary Fund	<u>500</u>

**NAPOLEON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 4 - INTERFUND RECEIVABLES AND TRANSFERS: (Continued)**

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
Sewer District #1 Fund	\$ 1,673	Sewer District #2 Fund	\$ 919
		Water District #1 Fund	124
		Current Tax Fiduciary Fund	630
	<u>1,673</u>		<u>1,673</u>
Sewer District #2 Fund	91,314	General Fund	499
	<u>91,314</u>	Current Tax Fiduciary Fund	90,815
			<u>91,314</u>
Water District #1 Fund	<u>1,084</u>	Current Tax Fiduciary Fund	<u>1,084</u>
Current Tax Fiduciary Fund	<u>2,060</u>	Municipal Building Debt Service	<u>2,060</u>
	<u>\$ 106,291</u>		<u>\$ 106,291</u>

There were no interfund transfers during the year ended June 30, 2006.

**NAPOLEON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 5 – CAPITAL ASSETS:**

Capital asset activity for the year is summarized below:

Asset Category	Balance 6/30/05	Additions	Disposals	Balance 6/30/06
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 136,096	\$ -	\$ -	\$ 136,096
Capital assets, being depreciated:				
Land improvements	135,367	-	-	135,367
Building and improvements	2,182,620	23,000	-	2,205,620
Machinery and equipment	636,673	103,233	(172,094)	567,812
Office equipment	159,477	12,486	(9,306)	162,657
Vehicles	1,057,661	43,297	(24,631)	1,076,327
Intangible assets	-	117,300	-	117,300
Total capital assets being depreciated	4,171,798	299,316	(206,031)	4,265,083
Less - Accumulated Depreciation:				
Land improvements	\$ (28,663)	\$ (7,806)	\$ -	\$ (36,469)
Building and improvements	(273,972)	(68,004)	-	(341,976)
Machinery and equipment	(399,455)	(56,951)	172,094	(284,312)
Office equipment	(81,253)	(17,665)	9,306	(89,612)
Vehicles	(460,361)	(46,754)	24,631	(482,484)
Intangible assets	-	(4,185)	-	(4,185)
Total accumulated depreciation	(1,243,704)	(201,365)	206,031	(1,239,038)
Total capital assets being depreciated, net	2,928,094	97,951	-	3,026,045
Capital assets, net	\$ 3,064,190	\$ 97,951	\$ -	\$ 3,162,141

NAPOLEON TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 5 – CAPITAL ASSETS:** (Continued)

Asset Category	Balance 6/30/05	Additions	Disposals	Balance 6/30/06
<b>Business-Type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 34,450	\$ -	\$ -	\$ 34,450
Capital assets, being depreciated:				
Sewer and Water Systems	8,589,538	-	-	8,589,538
Less - Accumulated Depreciation:	(1,590,827)	(198,183)	-	(1,789,010)
Total capital assets being depreciated, net	6,998,711	(198,183)	-	6,800,528
Capital assets, net	\$ 7,033,161	\$ (198,183)	\$ -	\$ 6,834,978

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General Government	\$ 109,254
Public Safety	86,597
Public Works	4,185
Recreation and Culture	1,329
<b>Total depreciation expense, governmental activities</b>	<b>\$ 201,365</b>
Business-Type Activities:	
Sewer	\$ 162,340
Water	35,843
<b>Total depreciation expense, business-type activities</b>	<b>\$ 198,183</b>

**NOTE 6 – INVESTMENT IN JOINT VENTURE:**

Under the terms of contracts, the Township sends all of its assessment collections from Sewer District #2 directly to the Wolf Lake Common Fund, a joint venture with Grass Lake Charter Township. The townships retain ultimate responsibility for the debt to be retired by the assessments. These deposits are accounted for in the Wolf Lake Common Fund.

NAPOLEON TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 7 - SPECIAL ASSESSMENTS RECEIVABLE:**

The Township allowed residents within the special assessment districts the option of paying over a twenty year period. Interest is charged at 1% over the average bond rate. No allowance for uncollectible accounts has been established as the assessments create a first lien against the assessed property. Past experience has indicated that the receivable will be completely collected.

**NOTE 8 - LONG-TERM DEBT:**

The Township issued bonds to provide for the acquisition and construction of its municipal building. These bonds are general obligation unlimited tax bonds, and pledge the full faith and credit of the Township. An installment purchase agreement used to finance a portion of a fire/rescue apparatus is also a general obligation of the Township.

The Township also financed the construction of sewer and water system assets through contractual agreements with Jackson County, Michigan. These agreements required the Township to pledge revenues generated by its sewer and water systems for repayment of the debt. Special assessments have been levied to provide the Township with the necessary cash flow to service these agreements.

Further detail of Township debt obligations follows:

**A. GOVERNMENTAL ACTIVITIES LONG-TERM DEBT:**

**General Obligation Bonds**

In November 1999, township residents approved the issuance of general obligation unlimited tax bonds not to exceed \$3,215,000 to construct, equip, and furnish a fire, police and township facility and purchase one fire truck.

Bonds totaling \$3,215,000 dated September 1, 2000 were sold in September 2000. Principal payments are required annually, with semi-annual interest payments at rates ranging from 4.00% to 7.00%. The Township levies a special millage to retire these bonds.

**Installment Purchase Agreement**

During 2004, the Township entered into an installment purchase agreement with the manufacturer of fire apparatus. The Township financed \$100,000 of the purchase of its fire/rescue apparatus. The terms of the agreement call for fixed monthly principal payments of \$1,667 for sixty months, with interest on the unpaid balance at 2.80%. The Township intends to finance this debt with future state revenue sharing payments.

**NAPOLEON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 8 - LONG-TERM DEBT:** (Continued)

**A. GOVERNMENTAL ACTIVITIES LONG-TERM DEBT:**

**Township Road Agreements:**

The Township financed 50% of the cost of improvements to certain heavily traveled roads in the Township with the Jackson County Road Commission. The Road Commission allows townships to finance up to \$50,000 per year to cover 50% of the cost of these improvements. These payments are spread out over three years, billed annually in October, with no interest.

**B. BUSINESS-TYPE ACTIVITIES LONG-TERM DEBT:**

**Capital Leases Payable**

The Township has financed the construction of sewer disposal facilities through the County of Jackson under lease obligations. The County has issued bonds and supervised the construction of the facilities. The Township leases the facilities, with payments due semi-annually in amounts necessary to cover the County's debt service requirements on the underlying bonds.

Currently, there are two such agreements which in place. The first agreement, signed in June 2000, is for the construction of sewer disposal facilities in the unincorporated village area of the Township. Bonds totaling \$1,125,000 were sold by the County in July 2001. The debt was recognized by the Township upon the signing of the final agreement with the County, with a \$1,125,000 capital asset established at that time. Annual principal payments are required, along with semi-annual interest payments at rates ranging 3.80% to 6.75%. The Township will finance repayment of the lease through a special assessment (see Note 7).

The second agreement covers the Wolf Lake section sewer project accounted for as Sewer #2. This project encompasses parts of two townships. Napoleon Township is responsible for 76.73% of the total construction bonds issued by the County. This total, \$3,759,770, has been recognized, along with a corresponding sewer line asset. The Township will finance repayment of the lease through a special assessment (see Note 7).

**NAPOLEON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 8 - LONG-TERM DEBT:** (Continued)

The following is a summary of the Township's long-term debt transactions for governmental activities during the year ended June 30, 2006:

Capital Lease Payable	Balance 6/30/05	New Issues	Payments	Balance 6/30/06
<b>Governmental Activities Long-Term Debt:</b>				
General Obligation Bonds:				
1999 Municipal Building	\$ 2,940,000	\$ -	\$ (115,000)	\$ 2,825,000
Installment Purchase Agreement:				
2004 Fire Truck Purchase	73,333	-	(20,000)	53,333
Township Road Agreements	-	117,300	(30,000)	87,300
Total governmental activities	<u>\$ 3,013,333</u>	<u>\$ 117,300</u>	<u>\$ (165,000)</u>	<u>\$ 2,965,633</u>

The following is a summary of the Township's long-term debt transactions for business-type activities during the year ended June 30, 2006:

	Balance 6/30/05	New Issues	Payments	Balance 6/30/06
<b>Business-Type Long-Term Debt:</b>				
Capital Leases Payable:				
Sewer District #1	\$ 1,000,000	\$ -	\$ (50,000)	\$ 950,000
Sewer District #2	3,145,930	-	(191,825)	2,954,105
Total business-type activities	<u>\$ 4,145,930</u>	<u>\$ -</u>	<u>\$ (241,825)</u>	<u>\$ 3,904,105</u>

Presented below is a summary of debt service requirements to maturity by years:

Year Ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 175,000	\$ 152,899	\$ 241,825	\$ 202,494
2008	200,000	143,589	241,825	190,044
2009	190,833	132,353	241,825	177,397
2010	150,000	121,912	241,825	164,749
2011	175,000	111,413	286,008	151,618
2012-2016	1,000,000	392,712	1,430,037	534,816
2017-2021	1,080,000	112,038	1,220,760	142,239
	<u>\$ 2,970,833</u>	<u>\$ 1,166,916</u>	<u>\$ 3,904,105</u>	<u>\$ 1,563,357</u>

**NAPOLEON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 9 - FUND EQUITY:**

**A. RESERVES AND DESIGNATIONS:**

Board action and requirements of generally accepted accounting principles have reserved and designated portions of fund equity in certain funds, indicating the amount not available for funding current year's activities. These can be summarized as follows:

	General Fund	Debt Service	Special Revenue	Fiduciary Funds	Total
<b>Designated:</b>					
Public Safety projects	\$ -	\$ -	\$180,614	\$ -	\$ 180,614
Cemetery expansion	-	-	10,000	-	10,000
	<u>\$ -</u>	<u>\$ -</u>	<u>\$190,614</u>	<u>\$ -</u>	<u>\$ 190,614</u>
<b>Reserved:</b>					
For Prepaid/Advance expenses	\$ 18,754	\$ -	\$ -	\$ -	\$ 18,754
Restricted by statute	8,443	-	-	-	8,443
Restricted for debt	-	90,537	-	-	90,537
Donor restricted	-	-	4,750	-	4,750
For Employee pensions	-	-	-	1,656,961	1,656,961
	<u>\$ 27,197</u>	<u>\$ 90,537</u>	<u>\$ 4,750</u>	<u>\$1,656,961</u>	<u>\$1,779,445</u>

**NOTE 10 - PROPERTY TAXES:**

Real and personal property taxes are levied on December 1st of each year, and are due to the Township by the last day of the following February. The Township is responsible for assessing, collecting and distributing property taxes in accordance with State law. Delinquent real property taxes are paid to the Township by Jackson County. Therefore, the General Fund reflects as revenues the full amount of real taxes levied during the year. The personal property taxes are reflected as revenues in the year collected, which does not materially differ from the full accrual method of revenue recognition.

The Township's operating tax rate for the year ended June 30, 2006 was .80570 mills, and its debt levy (for the Municipal Building bonds) was 1.20000 mills, both levied on property with a Taxable Value of \$197.3 million



**NAPOLEON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 11 - PENSION PLAN:**

The Township of Napoleon Group Pension Plan is a single employer public employee retirement system that administers the Township's defined contribution pension plan for all full-time salaried or clerical employees.

The financial statements of the Plan are included as a fiduciary fund of the Township. The Township is the only non-employee contributor to the pension plan. As of June 30, 2006, the pension plan's current membership was 17 (11 active and 6 inactive).

A defined contribution pension plan provides pension benefits in return for service rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depends solely on the amount contributed to the participant's account and the returns earned on investments of these contributions. Contributions made by an employee and contributions by the Township both vest immediately. Each employee may contribute 10% of his or her gross earnings to the pension plan. The Township is required to contribute an amount equal to 10% of the employee's gross earnings, and now contributes an additional 5% for certain employees, which previously was a mandatory employee contribution. Contributions are not reduced by plan charges.

During the year, the Township's required and actual contributions amounted to \$33,504, which was 11.95% of its current-year covered payroll. Employee's contributions amounted to \$27,076, which was 9.66% of the Township's current-year covered payroll.

Total payroll for the fiscal year ending June 30, 2006 was \$447,351 and total payroll subject to retirement benefits was \$280,267.

The pension plan held no securities of the Township or other related parties during the year or as of the close of the fiscal year.

**NOTE 12 - SEGMENT INFORMATION:**

The Township maintains four Enterprise Funds, which provide sanitary sewage disposal services and water to a portion of Township residents. Because each of these funds is presented as a major fund in the proprietary fund financial statements, segment disclosures are not required.

**NAPOLEON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 13 – RISK MANAGEMENT:**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2006, the Township carried commercial insurance to cover all risks of losses. The Township has had no settled claims resulting from these risks that exceeded commercial insurance coverage amounts in any of the past three fiscal years.

**NOTE 14 - COMMITMENTS AND CONTINGENCIES:**

**A. DELINQUENT TAXES:**

The Jackson County Treasurer establishes a Delinquent Tax Revolving Fund each year to pay for the uncollected real property taxes of the local taxing units (including Napoleon Township). If these taxes are not paid to the County Treasurer, the Township is ultimately responsible to reimburse the County Treasurer for the tax amount paid from the Revolving Fund, plus interest. It is approximately five years from the original tax delinquency to the chargeback by the County Treasurer.

For the year ended June 30, 2006, Napoleon Township received \$92,000 from the County's Delinquent Tax Revolving Fund. Taxes totaling \$900 were charged back during the fiscal year ended June 30, 2006.

**B. CONTRACTUAL OBLIGATIONS -**

During construction of Water and Sewer District #1, it was necessary for the Township to obtain easements for water mains and sewer lines. In addition to cash, the Township agreed to provide the property owner one direct two indirect connections to the sanitary sewage system. A liability has not been established for this on the Sewer Fund as it is difficult to determine the amount involved. The Township currently charges \$3,750 as its lowest connection fee, which indicates the liability could potentially exceed \$11,000.

**C. ENVIRONMENTAL LIABILITIES -**

Napoleon Township owns property which was formerly used as a landfill. This landfill has been inactive for several years, and the Township is unaware of any problems resulting from contamination.

**NOTE 15 – SUBSEQUENT EVENTS:**

**A. ACQUISITION OF WARNING SIRENS**

In August 2006, the Township purchased four warning sirens at a cost of \$66,307. This purchase was funded by the Improvement Revolving Fund, using designated funds from the sale of the old township fire station.

**NAPOLEON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 15 – SUBSEQUENT EVENTS: (Continued)**

**B. CAPITAL LEASE REFUNDING:**

In December 2006, Jackson County refunded a portion of the 2000 Wolf Lake Section Waste Water Disposal Facility Bonds. As discussed in Note 8, the Township is responsible for 76.73% of this debt under the terms of a lease agreement with Jackson County.

The refunding bonds in the face amount of \$2,335,000, along with \$490,000 from the Wolf Lake Common Fund, were used to retire \$2,575,000 of the outstanding balance from the 2000 series bonds. The cash flow savings generated from this refunding are expected to total in excess of \$103,000 over the remaining life of the agreement.

**NAPOLEON TOWNSHIP**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

Note: A budgetary comparison schedule is not presented for the Municipal Building Debt Service as there is no legal requirement for this fund to adopt a budget.

**NAPOLEON TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE -**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
BEGINNING FUND BALANCE	\$ 801,732	\$ 846,563	\$ 846,563	\$ -
RESOURCES (INFLOWS):				
Taxes	227,800	227,800	232,650	4,850
Licenses and permits	25,944	25,944	26,863	919
Intergovernmental	453,529	486,789	605,953	119,164
Charges for services	140,137	140,137	125,091	(15,046)
Fines and forfeitures	27,000	27,000	24,928	(2,072)
Interest and rents	18,000	18,000	47,010	29,010
Other	1,000	3,838	10,060	6,222
Proceeds from long term debt	-	-	-	-
Proceeds from sale of assets	-	-	-	-
Operating transfers in	-	-	-	-
Total resources (inflows)	893,410	929,508	1,072,555	143,047
Amounts available for appropriation	1,695,142	1,776,071	1,919,118	143,047
CHARGES TO APPROPRIATIONS:				
Legislative	62,434	62,434	55,786	6,648
General government	311,773	314,611	316,158	(1,547)
Public safety	499,116	499,116	476,573	22,543
Community planning and development	34,031	34,031	30,411	3,620
Public works	4,000	4,000	8,131	(4,131)
Recreational and cultural	2,400	2,400	2,028	372
Other functions	-	-	-	-
Capital outlay	3,660	118,984	201,974	(82,990)
Debt service	21,800	21,800	21,797	3
Operating transfers out	-	-	-	-
Total charges to appropriations	939,214	1,057,376	1,112,858	(55,482)
BUDGETARY ENDING FUND BALANCE	\$ 755,928	\$ 718,695	\$ 806,260	\$ 87,565

The notes to the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2006**

<u>SPECIAL REVENUE FUNDS</u>			
	<u>CEMETERY EXPANSION</u>	<u>STREET LIGHTING</u>	<u>IMPROVEMENT REVOLVING</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 10,926	\$ 99,134
Investments	88,675	-	82,846
Prepaid expenses	-	-	-
Due from other funds	-	500	-
Due from governments	-	-	-
Total assets	<u>\$ 88,675</u>	<u>\$ 11,426</u>	<u>\$ 181,980</u>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll	-	-	-
Due to other funds	-	-	2,792
Total liabilities	<u>-</u>	<u>-</u>	<u>2,792</u>
<b>FUND EQUITY:</b>			
Fund Balance - Designated	10,000	-	179,188
Fund Balance - Reserved	-	-	-
Fund Balance - Undesignated, unreserved	78,675	11,426	-
Total fund equity	<u>88,675</u>	<u>11,426</u>	<u>179,188</u>
Total liabilities and fund equity	<u>\$ 88,675</u>	<u>\$ 11,426</u>	<u>\$ 181,980</u>

The notes the financial statements are an integral part of this statement.

**SPECIAL REVENUE FUNDS (Continued)**

<b>BUILDING CODE ENFORCEMENT</b>	<b>CEMETERY URN</b>	<b>MEMORIAL</b>	<b>PARKS ENDOWMENT</b>	<b>TOTAL</b>
\$ 5,431	\$ 6,826	\$ 1,426	\$ 609	\$ 124,352
-	-	-	-	171,521
-	-	-	-	-
-	-	-	-	500
-	-	-	-	-
<b>\$ 5,431</b>	<b>\$ 6,826</b>	<b>\$ 1,426</b>	<b>\$ 609</b>	<b>\$ 296,373</b>
\$ 3,685	\$ -	\$ -	\$ -	\$ 3,685
-	-	-	-	-
976	-	-	-	3,768
4,661	-	-	-	7,453
-	-	1,426	-	190,614
-	4,750	-	-	4,750
770	2,076	-	609	93,556
770	6,826	1,426	609	288,920
<b>\$ 5,431</b>	<b>\$ 6,826</b>	<b>\$ 1,426</b>	<b>\$ 609</b>	<b>\$ 288,920</b>

**NAPOLEON TOWNSHIP**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE**  
**THE YEAR ENDED JUNE 30, 2006**

	SPECIAL REVENUE FUNDS		
	CEMETERY EXPANSION	STREET LIGHTING	IMPROVEMENT REVOLVING
REVENUES:			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
State grants - Capital	-	-	-
Interest and rents	2,688	10	6,380
Other revenues	2,950	20,020	10,618
Total revenues	<u>5,638</u>	<u>20,030</u>	<u>16,998</u>
EXPENDITURES:			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	-	27,718	30,000
Recreation and culture	-	-	-
Other functions	801	-	-
Capital outlay	-	-	2,792
Total expenditures	<u>801</u>	<u>27,718</u>	<u>32,792</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>4,837</u>	<u>(7,688)</u>	<u>(15,794)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	-	-
Sale of capital assets	-	-	-
Operating transfers (out)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>4,837</u>	<u>(7,688)</u>	<u>(15,794)</u>
FUND BALANCES - Beginning of year	<u>83,838</u>	<u>19,114</u>	<u>194,982</u>
FUND BALANCES - End of year	<u>\$ 88,675</u>	<u>\$ 11,426</u>	<u>\$ 179,188</u>

The notes the financial statements are an integral part of this statement.



SPECIAL REVENUE FUNDS (Continued)

<u>BUILDING CODE ENFORCEMENT</u>	<u>CEMETERY URN</u>	<u>MEMORIAL</u>	<u>PARKS ENDOWMENT</u>	<u>TOTAL</u>
\$ -	\$ -	\$ -	\$ -	\$ -
54,867	-	-	-	54,867
-	-	-	-	-
333	109	10	2	9,532
-	-	-	-	33,588
55,200	109	10	2	97,987
-	-	-	-	-
70,002	-	-	-	70,002
-	-	-	-	57,718
-	-	-	30	30
-	321	-	-	1,122
-	-	-	-	2,792
70,002	321	-	30	131,664
(14,802)	(212)	10	(28)	(33,677)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(14,802)	(212)	10	(28)	(33,677)
15,572	7,038	1,416	637	322,597
\$ 770	\$ 6,826	\$ 1,426	\$ 609	\$ 288,920

**NAPOLEON TOWNSHIP**

**ADDITIONAL INFORMATION**

**INDIVIDUAL FUND FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS:**

(All include 2005 actual amounts for comparison)

**GENERAL FUND FINANCIAL STATEMENTS:**

BALANCE SHEET

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - AMENDED BUDGET TO ACTUAL

**DEBT SERVICE FUND FINANCIAL STATEMENTS:**

BALANCE SHEET

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE

**CEMETERY EXPANSION SPECIAL REVENUE FUND:**

BALANCE SHEET

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

**STREET LIGHT SPECIAL REVENUE FUND:**

BALANCE SHEET

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

**IMPROVEMENT REVOLVING SPECIAL REVENUE FUND:**

BALANCE SHEET

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

**BUILDING CODE ENFORCEMENT SPECIAL REVENUE FUND:**

BALANCE SHEET

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

**NAPOLEON TOWNSHIP**

**ADDITIONAL INFORMATION**

**INDIVIDUAL FUND FINANCIAL STATEMENTS: (Continued)**

**CEMETERY URN FUND SPECIAL REVENUE FUND:**

BALANCE SHEET

STATEMENT OF REVENUES, EXPENDITURES, AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

**MEMORIAL SPECIAL REVENUE FUND:**

BALANCE SHEET

STATEMENT OF REVENUES, EXPENDITURES, AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

**PARKS ENDOWMENT SPECIAL REVENUE FUND:**

BALANCE SHEET

STATEMENT OF REVENUES, EXPENDITURES, AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

**NAPOLEON TOWNSHIP**  
**GENERAL FUND**  
**BALANCE SHEET**  
**JUNE 30, 2006**  
(With comparative totals from June 30, 2005)

	<u>2006</u>	<u>2005</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 642,278	\$ 671,610
Accounts receivable	-	-
Prepaid expenses	18,754	38,850
Due from other funds	9,660	211
Due from governmental units	240,132	192,161
	<u>\$ 910,824</u>	<u>\$ 902,832</u>
Total assets		
 <b><u>LIABILITIES AND FUND BALANCE</u></b>		
<b>LIABILITIES:</b>	\$ 101,278	\$ 41,672
Accounts payable	2,554	1,843
Accrued payroll	499	10,839
Due to other funds	-	1,915
Due to governmental units	104,331	56,269
Total liabilities		
 <b>FUND BALANCE:</b>	27,197	44,106
Fund balance - Reserved	779,296	802,457
Fund balance - Unreserved	806,493	846,563
Total fund balance		
Total liabilities and fund balance	<u>\$ 910,824</u>	<u>\$ 902,832</u>

The notes to the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
(With comparative totals from the year ended June 30, 2005)

	<b>2006</b>			<b>2005</b>
	<b>AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE - FAVORABLE (UNFAVORABLE)</b>	<b>ACTUAL</b>
<b>REVENUES:</b>				
<b>Taxes:</b>				
Current property	\$ 157,000	\$ 158,476	\$ 1,476	\$ 149,298
Industrial facilities tax	12,000	9,344	(2,656)	12,116
Delinquent property taxes	100	461	361	299
Interest and penalties on taxes	1,700	255	(1,445)	4,569
Tax administration fee	57,000	64,114	7,114	55,565
Total taxes	227,800	232,650	4,850	221,847
<b>Licenses and Permits:</b>				
Cable TV licenses	25,500	26,481	981	25,766
Trailer park fees	300	298	(2)	343
Zoning books	144	84	(60)	204
Total licenses and permits	25,944	26,863	919	26,313
<b>Intergovernmental:</b>				
State revenue sharing	448,000	478,024	30,024	470,022
Liquor license fees	2,300	1,924	(376)	2,338
Public Safety grants	34,960	116,335	81,375	98,883
Metro Act revenue	-	5,617	5,617	3,631
Election reimbursements	-	2,523	2,523	-
Local Unit - Library	1,529	1,530	1	1,486
Total intergovernmental	486,789	605,953	119,164	576,360
<b>Charges for Services:</b>				
Norvell Twsp. Fire contract	33,870	33,870	-	32,317
Administration fees - Enterprise Funds	44,900	41,960	(2,940)	44,960
Allocated costs - Building Code Fund	7,545	7,545	-	7,262
Zoning/Ordinance fees	16,700	9,060	(7,640)	11,778
Cemetery charges	12,500	12,585	85	11,321
School tax collections	13,800	10,358	(3,442)	5,094
Police - Report copies	7,722	6,510	(1,212)	3,865
Restitution - Attorney	100	-	(100)	300
Miscellaneous	3,000	3,203	203	5,011
Total charges for services	140,137	125,091	(15,046)	121,908
<b>Fines and forfeitures - Police</b>	<b>27,000</b>	<b>24,928</b>	<b>(2,072)</b>	<b>25,711</b>
<b>Interest and Rents:</b>				
Interest	12,000	41,890	29,890	11,589
Rents	6,000	5,120	(880)	6,000
Total interest and rents	\$ 18,000	\$ 47,010	\$ 29,010	\$ 17,589

The notes to the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
(With comparative totals from the year ended June 30, 2005)

	2006			2005
	AMENDED BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)	ACTUAL
<b>REVENUES: (Continued)</b>				
<b>Other:</b>				
Other income	\$ 3,838	\$ 6,760	\$ 2,922	\$ 7,098
Sale of fixed assets	-	3,300	3,300	-
Donations - Village & Twp. Police Assn.	-	-	-	-
Total other revenues	3,838	10,060	6,222	7,098
 Total Revenues	 929,508	 1,072,555	 143,047	 996,826
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>Legislative -</b>				
<b>Township Board:</b>				
Salaries and wages - Elected	8,000	8,000	-	8,000
Payroll taxes	116	443	(327)	264
Fringe benefits	13,918	8,963	4,955	14,093
Professional services	13,000	18,220	(5,220)	6,778
Conferences and workshops	2,500	360	2,140	2,454
Community promotion	1,000	735	265	255
Insurance and bonds	19,900	14,568	5,332	12,285
Membership and dues	4,000	4,132	(132)	260
Miscellaneous	-	365	(365)	87
Total Legislative - Township board	62,434	55,786	6,648	44,476
 <b>General Government:</b>				
<b>Supervisor's Office:</b>				
Salaries and wages - Elected	17,000	17,000	-	17,000
Payroll taxes	247	246	1	246
Fringe benefits	6,822	3,563	3,259	4,200
Office supplies	100	425	(325)	102
Operating supplies	900	-	900	50
Professional Services	500	625	(125)	595
Mileage	100	-	100	-
Printing and publications	250	75	175	-
Total supervisor's office	25,919	21,934	3,985	22,193
 <b>Elections:</b>				
Fringe benefits	5	-	5	-
Office supplies	1,000	429	571	3,075
Contractual services	4,338	2,735	1,603	5,845
Printing and publications	300	108	192	132
Insurance & Bonds	-	-	-	307
Miscellaneous	-	-	-	30
Total elections	\$ 5,643	\$ 3,272	\$ 2,371	\$ 9,389

The notes to the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
(With comparative totals from the year ended June 30, 2005)

	<b>2006</b>			<b>2005</b>
	<b>AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE - FAVORABLE (UNFAVORABLE)</b>	<b>ACTUAL</b>
<b>EXPENDITURES: (Continued)</b>				
<b>Current: (Continued)</b>				
<b>General Government: (Continued)</b>				
<b>Assessor:</b>				
Salaries and wages	\$ 41,175	\$ 39,287	\$ 1,888	\$ 38,322
Payroll taxes	811	619	192	625
Fringe benefits	16,935	17,489	(554)	15,596
Office supplies	2,000	735	1,265	376
Operating supplies	200	13	187	73
Maps and equipment	500	-	500	298
Repairs and maintenance	200	-	200	-
Tax roll preparation	7,000	5,461	1,539	5,192
Conferences and workshops	1,200	650	550	1,104
Mileage	1,200	337	863	489
Printing and publications	100	75	25	97
Membership dues	75	165	(90)	85
Total assessor	71,396	64,831	6,565	62,257
<b>Township Clerk:</b>				
Salaries and wages - Elected	17,000	17,000	-	17,000
Salaries and wages - Office	24,055	22,653	1,402	22,714
Payroll taxes	551	575	(24)	577
Fringe benefits	28,125	24,174	3,951	24,668
Office supplies	4,000	4,902	(902)	5,160
Computer supplies	8,000	8,732	(732)	-
Copier lease	-	-	-	8,584
Operating supplies	600	484	116	196
Professional services	2,500	2,915	(415)	2,720
Printing and publishing	2,000	417	1,583	475
Total township clerk	86,831	81,852	4,979	82,094
<b>Board of Review:</b>				
Payroll taxes	-	46	(46)	22
Fringe benefits	-	7	(7)	5
Fees and per diem	550	597	(47)	289
Office supplies	50	16	34	-
Printing and publications	150	-	150	77
Total board of review	\$ 750	\$ 666	\$ 84	\$ 393

The notes to the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006**

(With comparative totals from the year ended June 30, 2005)

	<b>2006</b>			<b>2005</b>
	<b>AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE - FAVORABLE (UNFAVORABLE)</b>	<b>ACTUAL</b>
<b>EXPENDITURES: (Continued)</b>				
<b>Current: (Continued)</b>				
<b>General Government: (Continued)</b>				
<b>Township Treasurer:</b>				
Salaries and wages - Elected	\$ 17,000	\$ 17,000	\$ -	\$ 16,945
Salaries and wages - Office	10,064	12,609	(2,545)	12,093
Payroll taxes	526	521	5	541
Fringe benefits	13,804	16,437	(2,633)	19,878
Office supplies	700	896	(196)	1,520
Computer supplies	1,600	-	1,600	1,390
Professional services	-	-	-	-
Printing and publications	100	189	(89)	65
Insurance and bonds	1,000	1,572	(572)	976
Miscellaneous	-	-	-	63
Taxes abated/written off	1,000	3,451	(2,451)	130
Total township treasurer	45,794	52,675	(6,881)	53,601
<b>Township Hall and Grounds:</b>				
Salaries & Wages	400	-	400	-
Fringe benefits	17	-	17	-
Office supplies	1,300	227	1,073	189
Repairs and maintenance supplies	21,070	21,874	(804)	5,642
Contractual services	5,700	5,840	(140)	16,386
Telephone	4,100	3,180	920	3,618
Printing and publications	-	-	-	-
Insurance and bonds	3,000	6,036	(3,036)	5,776
Building improvements	-	-	-	502
Public utilities	20,000	26,664	(6,664)	19,700
Total township hall and grounds	55,587	63,821	(8,234)	51,813
<b>Cemetery Operations:</b>				
Salaries & Wages - Temporary	-	-	-	7,823
Fringe benefits	-	291	(291)	-
Operating supplies	2,500	5,268	(2,768)	2,884
Repairs and maintenance	2,500	2,280	220	1,082
Contractual services	16,500	18,579	(2,079)	5,260
Printing & publications	50	-	50	-
Insurance and bonds	591	318	273	-
Utilities	350	371	(21)	335
Miscellaneous	200	-	200	920
Total cemetery operations	22,691	27,107	(4,416)	18,304
<b>Total General Government</b>	<b>\$ 314,611</b>	<b>\$ 316,158</b>	<b>\$ (1,547)</b>	<b>\$ 300,044</b>

The notes to the financial statements are an integral part of this statement.



**NAPOLEON TOWNSHIP**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
(With comparative totals from the year ended June 30, 2005)

	2006			2005	
	AMENDED BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)	ACTUAL	
<b>EXPENDITURES: (Continued)</b>					
<b>Current: (Continued)</b>					
<b>Public Safety:</b>					
<b>Police Department:</b>					
Salaries and wages	\$ 189,303	\$ 183,746	\$ 5,557	\$ 183,444	
Payroll taxes	7,937	7,500	437	7,681	
Fringe benefits	49,425	48,079	1,346	36,788	
Office supplies	600	703	(103)	603	
Operating supplies	12,000	13,762	(1,762)	10,505	
Uniforms and laundry	1,000	1,034	(34)	-	
Repairs and maintenance supplies	1,000	358	642	75	
Professional services	4,800	4,278	522	4,363	
Computer support	-	844	(844)	63	
Radio maintenance	1,500	1,237	263	1,846	
Telephone	4,000	3,873	127	3,238	
Conferences and workshops	700	658	42	803	
Community promotion	850	843	7	776	
Insurance and bonds	20,600	14,849	5,751	14,205	
Vehicle maintenance	4,000	3,435	565	9,160	
Membership and dues	225	100	125	100	
Education and training	700	786	(86)	-	
Special training	-	-	-	-	
Village & Police Association supplies	-	-	-	1,237	
Special reserve program	450	-	450	116	
Equipment - Not capitalized	1,500	2,213	(713)	173	
Total police department	\$ 300,590	\$ 288,298	\$ 12,292	\$ 275,176	

The notes to the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
(With comparative totals from the year ended June 30, 2005)

	<b>2006</b>		<b>2005</b>	
	<b>AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE - FAVORABLE (UNFAVORABLE)</b>	<b>ACTUAL</b>
<b>EXPENDITURES: (Continued)</b>				
<b>Current: (Continued)</b>				
<b>Public Safety: (Continued)</b>				
<b>Fire Department:</b>				
Salaries and wages	\$ 96,056	\$ 90,955	\$ 5,101	\$ 86,630
Payroll taxes	2,383	2,664	(281)	2,613
Fringe benefits	28,237	26,044	2,193	23,513
Office supplies	900	781	119	711
Operating supplies	8,000	7,895	105	7,846
Uniforms and cleaning	6,000	4,457	1,543	8,924
Repairs and maintenance	3,500	3,024	476	2,585
Radio maintenance	3,000	2,579	421	4,070
Telephone	2,500	1,695	805	1,999
Pager lease	1,700	1,499	201	1,719
Conferences and workshops	-	-	-	350
Community promotion	-	210	(210)	567
Insurance and bonds	17,500	16,384	1,116	21,668
Public utilities	2,500	2,603	(103)	2,398
Vehicle maintenance	17,000	18,198	(1,198)	22,091
Membership and dues	750	1,113	(363)	556
Education and training	6,000	5,840	160	6,530
Building repairs	-	-	-	290
Equipment - Not capitalized	2,500	2,334	166	2,080
Total fire department	198,526	188,275	10,251	197,140
 Total public safety	 499,116	 476,573	 22,543	 472,316
 <b>Community Planning and Development:</b>				
<b>Zoning and Planning:</b>				
Salaries and wages	10,000	10,938	(938)	570
Fees and per diem	7,000	3,410	3,590	14,947
Payroll taxes	1,120	1,072	48	1,044
Fringe benefits	61	175	(114)	135
Office supplies	800	840	(40)	1,005
Professional services	12,000	12,262	(262)	19,218
Contractual services	-	-	-	-
Conferences and workshops	750	-	750	355
Mileage	300	326	(26)	654
Printing and publications	2,000	1,388	612	1,487
Insurance and bonds	-	-	-	-
Total zoning and planning	\$ 34,031	\$ 30,411	\$ 3,620	\$ 39,415

The notes to the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
(With comparative totals from the year ended June 30, 2005)

	2006			2005
	AMENDED BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)	ACTUAL
<b>EXPENDITURES: (Continued)</b>				
<b>Current: (Continued)</b>				
<b>Public Works :</b>				
Highways and Streets - Contractual	\$ 4,000	\$ 8,131	\$ (4,131)	\$ 2,704
Total public works	4,000	8,131	(4,131)	2,704
<b>Recreational and Cultural -</b>				
<b>Parks:</b>				
Contractual	200	238	(38)	173
Utilities	100	91	9	64
Repairs and maintenance	2,100	1,699	401	1,438
Total recreational and cultural	2,400	2,028	372	1,675
<b>Capital Outlay:</b>				
General	32,716	29,483	3,233	-
Assessor	-	1,210	(1,210)	-
Cemetery	-	1,800	(1,800)	-
Police Department - Grant	4,300	4,300	-	-
Police Department	43,297	43,297	-	-
Fire - Grant	35,011	121,651	(86,640)	107,850
Fire Department	3,660	-	3,660	-
Total capital outlay	118,984	201,741	(82,757)	107,850
<b>Debt Service:</b>				
Principal	20,000	20,000	-	20,000
Interest	1,800	1,797	3	2,358
Total debt service	21,800	21,797	3	22,358
Total expenditures	1,057,376	1,112,625	(55,249)	990,838
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(127,868)	(40,070)	87,798	5,988
OTHER FINANCING SOURCES (USES):				
Proceeds from long term debt	-	-	-	-
Total operating transfers in	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING (USES)	(127,868)	(40,070)	87,798	5,988
FUND BALANCE - Beginning of year	846,563	846,563	-	840,575
FUND BALANCE - End of year	\$ 718,695	\$ 806,493	\$ 87,798	\$ 846,563

The notes to the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**  
**MUNICIPAL BUILDING DEBT SERVICE FUND**  
**BALANCE SHEET**  
**JUNE 30, 2006**  
(With comparative totals from June 30, 2005)

	<u>2006</u>	<u>2005</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 100,598	\$ 135,321
Accounts receivable	-	-
Prepaid expenses	-	-
Due from other funds	-	4
Due from governmental units	-	-
	<u>          </u>	<u>          </u>
Total assets	<u>\$ 100,598</u>	<u>\$ 135,325</u>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>		
<b>LIABILITIES:</b>		
Accounts payable	\$ 7,866	\$ -
Accrued payroll	-	-
Due to other funds	2,195	18,608
Due to other governments	-	-
Total liabilities	<u>10,061</u>	<u>18,608</u>
 <b>FUND BALANCE:</b>		
Fund balance - Designated	-	-
Fund balance - Reserved	90,537	116,713
Fund balance - Unreserved	-	-
Total fund balance	<u>90,537</u>	<u>116,713</u>
	<u>          </u>	<u>          </u>
Total liabilities and fund balance	<u>\$ 100,598</u>	<u>\$ 135,321</u>

The notes to the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**  
**MUNICIPAL BUILDING DEBT SERVICE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**THE YEAR ENDED JUNE 30, 2006**  
(With comparative totals from the year ended June 30, 2005)

	<u>2006</u>	<u>2005</u>
<b>REVENUES:</b>		
Taxes:		
Current property taxes	\$ 236,045	\$ 227,679
Industrial facilities taxes	13,923	18,477
Delinquent property taxes	710	1,308
Total taxes	<u>250,678</u>	<u>247,464</u>
Interest	4,205	2,325
Total revenues	<u>254,883</u>	<u>249,789</u>
 <b>EXPENDITURES:</b>		
Debt Service:		
Principal	115,000	100,000
Interest	159,713	166,713
Taxes abated/written off	5,521	-
Paying agent fees and miscellaneous	825	834
Total expenditures	<u>281,059</u>	<u>267,547</u>
 <b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	 <b>(26,176)</b>	 <b>(17,758)</b>
 <b>FUND BALANCE - Beginning of year</b>	 <u>116,713</u>	 <u>134,471</u>
 <b>FUND BALANCE - End of year</b>	 <u><u>\$ 90,537</u></u>	 <u><u>\$ 116,713</u></u>

The notes the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**  
**CEMETERY EXPANSION SPECIAL REVENUE FUND**  
**COMPARATIVE BALANCE SHEET**  
**JUNE 30, 2006**  
(With comparative totals from June 30, 2005)

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
Cash and cash equivalents	\$ -	\$ 83,838
Investments	88,675	-
Accounts receivable	-	-
Prepaid expenses	-	-
Due from other funds	-	-
Due from governments	-	-
	<hr/>	<hr/>
Total assets	<u>\$ 88,675</u>	<u>\$ 83,838</u>
 <u>LIABILITIES AND FUND EQUITY</u>		
LIABILITIES:		
Accounts payable	\$ -	\$ -
Accrued payroll	-	-
Due to other funds	-	-
Total liabilities	<hr/> - <hr/>	<hr/> - <hr/>
FUND EQUITY:		
Fund Balance - Designated	10,000	10,000
Fund Balance - Reserved	-	-
Fund Balance - Undesignated, unreserved	78,675	73,838
Total fund equity	<hr/> 88,675 <hr/>	<hr/> 83,838 <hr/>
Total liabilities and fund equity	<u>\$ 88,675</u>	<u>\$ 83,838</u>

The notes to the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**  
**CEMETERY EXPANSION SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
(With comparative totals from the year ended June 30, 2005)

	<b>2006</b>			<b>2005</b>
	<b>AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE - FAVORABLE (UNFAVORABLE)</b>	<b>ACTUAL</b>
<b>REVENUES:</b>				
Interest	\$ -	\$ 2,688	\$ 2,688	\$ 2,225
Other revenues - Sale of lots	-	2,950	2,950	1,306
Total revenues	-	5,638	5,638	3,531
<b>EXPENDITURES:</b>				
Current - Other functions:				
Temporary labor	-	-	-	-
Supplies	-	360	(360)	-
Professional services	-	441	(441)	-
Total current - Other functions	-	801	(801)	-
Capital outlay	-	-	-	-
Total expenditures	-	801	(801)	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	4,837	4,837	3,531
<b>OTHER FINANCING SOURCES (USES) -</b>				
Operating transfers in	-	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND (USES)</b>	-	4,837	4,837	3,531
<b>FUND BALANCE - Beginning of year</b>	-	83,838	-	80,307
<b>FUND BALANCE - End of year</b>	\$ -	\$ 88,675	\$ 4,837	\$ 83,838

The notes the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**  
**STREET LIGHT SPECIAL REVENUE FUND**  
**COMPARATIVE BALANCE SHEET**  
**JUNE 30, 2006**  
(With comparative totals from June 30, 2005)

	<u>2006</u>	<u>2005</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 10,926	\$ 18,614
Accounts receivable	-	-
Prepaid expenses	-	-
Due from other funds	500	500
Due from governments	-	-
	<u>          </u>	<u>          </u>
Total assets	<u>\$ 11,426</u>	<u>\$ 19,114</u>
 <b><u>LIABILITIES AND FUND EQUITY</u></b>		
<b>LIABILITIES:</b>		
Accounts payable	\$ -	\$ -
Accrued payroll	-	-
Due to other funds	-	-
Total liabilities	<u>          </u>	<u>          </u>
 <b>FUND EQUITY:</b>		
Fund Balance - Designated	-	-
Fund Balance - Reserved	-	-
Fund Balance - Undesignated, unreserved	11,426	19,114
Total fund equity	<u>11,426</u>	<u>19,114</u>
	<u>          </u>	<u>          </u>
Total liabilities and fund equity	<u>\$ 11,426</u>	<u>\$ 19,114</u>

The notes to the financial statements are an integral part of this statement.



**NAPOLEON TOWNSHIP**  
**STREET LIGHT SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**THE YEAR ENDED JUNE 30, 2006**  
(With comparative totals from the year ended June 30, 2005)

	2006			2005
	AMENDED BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)	ACTUAL
<b>REVENUES:</b>				
Other Revenue:				
Current special assessments	\$ -	\$ 20,020	\$ 20,020	\$ 25,907
Delinquent special assessments	-	-	-	-
Total taxes	-	20,020	20,020	25,907
Interest	-	10	10	58
Total revenues	-	20,030	20,030	25,965
<b>EXPENDITURES:</b>				
Current - Public Works:				
Professional services	-	300	(300)	-
Utilities	-	27,291	(27,291)	24,960
Miscellaneous	-	127	(127)	280
Total expenditures	-	27,718	(27,718)	25,240
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	(7,688)	(7,688)	725
<b>FUND BALANCE - Beginning of year</b>	19,114	19,114	-	18,389
<b>FUND BALANCE - End of year</b>	\$ 19,114	\$ 11,426	\$ (7,688)	\$ 19,114

The notes the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**  
**IMPROVEMENT REVOLVING SPECIAL REVENUE FUND**  
**COMPARATIVE BALANCE SHEET**  
**JUNE 30, 2006**  
(With comparative totals from June 30, 2005)

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
Cash and cash equivalents	\$ 99,134	\$ 194,982
Investments	82,846	-
Advance expenses	-	-
Due from other funds	-	-
Due from governments	-	-
	<hr/>	<hr/>
Total assets	<u>\$ 181,980</u>	<u>\$ 194,982</u>
 <u>LIABILITIES AND FUND EQUITY</u>		
<b>LIABILITIES:</b>		
Accounts payable	\$ -	\$ -
Accrued payroll	-	-
Due to other funds	2,792	-
Total liabilities	<u>2,792</u>	<u>-</u>
 <b>FUND EQUITY:</b>		
Fund Balance - Designated	179,188	184,217
Fund Balance - Reserved	-	-
Fund Balance - Undesignated, unreserved	-	10,765
Total fund equity	<u>179,188</u>	<u>194,982</u>
	<hr/>	<hr/>
Total liabilities and fund equity	<u>\$ 181,980</u>	<u>\$ 194,982</u>

The notes to the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**  
**IMPROVEMENT REVOLVING SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**THE YEAR ENDED JUNE 30, 2006**  
(With comparative totals from the year ended June 30, 2005)

	<u>2006</u>			<u>2005</u>
	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>	<u>ACTUAL</u>
REVENUES:				
State grants - Capital	\$ -	\$ -	\$ -	\$ -
Interest	-	6,380	6,380	3,230
Other revenue	-	10,618	10,618	-
Total revenues	-	16,998	16,998	3,230
EXPENDITURES:				
Current:				
General government:				
Professional services	-	-	-	-
Miscellaneous	-	-	-	-
Total general government	-	-	-	-
Public Works:				
Street work	-	30,000	(30,000)	-
Total public works	-	30,000	(30,000)	-
Capital outlay	-	2,792	(2,792)	-
Total expenditures	-	32,792	(32,792)	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(15,794)	(15,794)	3,230
FUND BALANCE - Beginning of year	194,982	194,982	-	191,752
FUND BALANCE - End of year	\$ 194,982	\$ 179,188	\$ (15,794)	\$ 194,982

The notes the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**  
**BUILDING CODE ENFORCEMENT SPECIAL REVENUE FUND**  
**COMPARATIVE BALANCE SHEET**  
**JUNE 30, 2006**  
(With comparative totals from June 30, 2005)

	<u>2006</u>	<u>2005</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 5,431	\$ 18,652
Accounts receivable	-	-
Prepaid expenses	-	-
Due from other funds	-	-
Due from other governments	-	-
	<hr/>	<hr/>
Total assets	<u>\$ 5,431</u>	<u>\$ 18,652</u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>		
<b>LIABILITIES:</b>		
Accounts payable	\$ 3,685	\$ 3,080
Due to other funds	976	-
Total liabilities	<u>4,661</u>	<u>3,080</u>
<b>FUND EQUITY:</b>		
Fund Balance - Designated	-	-
Fund Balance - Reserved	-	-
Fund Balance - Undesignated, unreserved	770	14,514
Total fund equity	<u>770</u>	<u>15,572</u>
	<hr/>	<hr/>
Total liabilities and fund equity	<u>\$ 5,431</u>	<u>\$ 18,652</u>

The notes the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**  
**BUILDING CODE ENFORCEMENT SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**THE YEAR ENDED JUNE 30, 2006**  
(With comparative totals from the year ended June 30, 2005)

	<b>2006</b>			<b>2005</b>
	<b>AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE - FAVORABLE (UNFAVORABLE)</b>	<b>ACTUAL</b>
<b>REVENUES:</b>				
Licenses and permits:				
Building permits	\$ 30,000	\$ 26,092	\$ (3,908)	\$ 36,721
Electrical permits	21,000	13,575	(7,425)	13,875
Plumbing permits	19,600	8,140	(11,460)	10,240
Mechanical permits	7,000	7,060	60	8,085
Total licenses and permits	77,600	54,867	(22,733)	68,921
Interest	400	333	(67)	195
Total revenues	78,000	55,200	(22,800)	69,116
<b>EXPENDITURES:</b>				
Current - Public Safety:				
Salaries - Clerical	12,329	12,323	6	13,754
Salaries - Zoning Administrator	6,800	7,292	(492)	-
Payroll taxes	1,017	783	234	572
Fringe benefits	8,664	4,457	4,207	5,025
Contract fees:				
Zoning Administrator	-	-	-	-
Building Inspectors	12,000	14,475	(2,475)	14,455
Plumbing & Mechanical Inspectors	16,000	12,070	3,930	10,360
Electrical Inspectors	19,000	9,790	9,210	10,200
Office supplies	704	678	26	855
Allocated costs	7,545	7,545	-	7,262
Professional services	1,200	550	650	550
Miscellaneous	480	39	441	5,025
Total current - Public Safety	85,739	70,002	15,737	68,058
Capital outlay	-	-	-	-
Total expenditures	85,739	70,002	15,737	68,058
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(7,739)	(14,802)	(7,063)	1,058
<b>FUND BALANCE - Beginning of year</b>	15,572	15,572	-	14,514
<b>FUND BALANCE - End of year</b>	\$ 7,833	\$ 770	\$ (7,063)	\$ 15,572

The notes the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**  
**CEMETERY URN SPECIAL REVENUE FUND**  
**COMPARATIVE BALANCE SHEET**  
**JUNE 30, 2006**  
(With comparative totals from June 30, 2005)

		CEMETERY URN FUND	
		2006	2005
<b><u>ASSETS</u></b>			
Cash		\$ 6,826	\$ 7,038
Accounts receivable		-	-
Prepaid expenses		-	-
Due from other funds		-	-
Due from other governments		-	-
Total assets		<u>\$ 6,826</u>	<u>\$ 7,038</u>
 <b><u>LIABILITIES AND FUND EQUITY</u></b>			
<b>LIABILITIES:</b>			
Accounts payable		\$ -	\$ -
Accrued payroll		-	-
Due to other funds		-	-
Total liabilities		<u>-</u>	<u>-</u>
 <b>FUND EQUITY:</b>			
Fund Balance - Designated		-	-
Fund Balance - Reserved		4,750	4,750
Fund Balance - Undesignated, unreserved		<u>2,076</u>	<u>2,288</u>
Total fund equity		<u>6,826</u>	<u>7,038</u>
Total liabilities and fund equity		<u>\$ 6,826</u>	<u>\$ 7,038</u>

The notes to the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**  
**CEMETERY URN SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
(With comparative totals from the year ended June 30, 2005)

	2006			2005
	AMENDED BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES -				
Interest	\$ -	\$ 109	\$ 109	\$ 195
EXPENDITURES -				
Other functions - Misc	-	321	(321)	637
EXCESS OF REVENUES OVER EXPENDITURES	-	(212)	(212)	(442)
FUND BALANCE - Beginning of year	7,038	7,038	-	7,480
FUND BALANCE - End of year	\$ 7,038	\$ 6,826	\$ (212)	\$ 7,038

The notes to the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**  
**MEMORIAL SPECIAL REVENUE FUND**  
**BALANCE SHEET**  
**JUNE 30, 2006**  
(With comparative totals from June 30, 2005)

	<b>TOTALS</b>	
	<b>2006</b>	<b>2005</b>
<b><u>ASSETS:</u></b>		
Cash and cash equivalents	\$ 1,426	\$ 1,416
Accounts receivable	-	-
Prepaid expenses	-	-
Due from other funds	-	-
Due from other governments	-	-
	<hr/>	<hr/>
Total assets	<u>\$ 1,426</u>	<u>\$ 1,416</u>
 <b><u>LIABILITIES AND FUND EQUITY:</u></b>		
<b>LIABILITIES:</b>		
Accounts payable	\$ -	\$ -
Accrued payroll	-	-
Due to other funds	-	-
	<hr/>	<hr/>
Total liabilities	<u>-</u>	<u>-</u>
 <b>FUND EQUITY:</b>		
Fund Balance - Designated	1,426	1,416
Fund Balance - Reserved	-	-
Fund Balance - Undesignated, unreserved	-	-
	<hr/>	<hr/>
Total fund equity	<u>1,426</u>	<u>1,416</u>
	<hr/>	<hr/>
Total liabilities and fund equity	<u>\$ 1,426</u>	<u>\$ 1,416</u>

The notes to the financial statements are an integral part of this statement.



**NAPOLEON TOWNSHIP**  
**MEMORIAL SPECIAL REVENUE FUND**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND EQUITY - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
(With comparative totals from the year ended June 30, 2005)

	2006			2005
	AMENDED BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES:				
Interest	\$ -	\$ 10	\$ 10	\$ 7
Other - Donations	-	-	-	-
Total revenues	-	10	10	7
EXPENDITURES:				
Recreation and cultural:				
Community promotion	-	-	-	-
Miscellaneous	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	-	10	10	7
FUND BALANCE - Beginning of year	1,416	1,416	-	1,409
FUND BALANCE - End of year	\$ 1,416	\$ 1,426	\$ 10	\$ 1,416

The notes to the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**  
**PARKS ENDOWMENT SPECIAL REVENUE FUND**  
**BALANCE SHEET**  
**JUNE 30, 2006**  
(With comparative totals from June 30, 2005)

	<u>2006</u>	<u>2005</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 609	\$ 637
Accounts receivable	-	-
Prepaid expenses	-	-
Due from other funds	-	-
Due from other governments	-	-
	<u>          </u>	<u>          </u>
Total assets	<u>\$ 609</u>	<u>\$ 637</u>
 <b><u>LIABILITIES AND FUND EQUITY</u></b>		
<b>LIABILITIES:</b>		
Accounts payable	\$ -	\$ -
Accrued payroll	-	-
Due to other funds	-	-
	<u>          </u>	<u>          </u>
Total liabilities	<u>-</u>	<u>-</u>
 <b>FUND EQUITY:</b>		
Fund Balance - Designated	-	-
Fund Balance - Reserved	-	-
Fund Balance - Undesignated, unreserved	609	637
	<u>609</u>	<u>637</u>
Total fund equity	<u>609</u>	<u>637</u>
	<u>          </u>	<u>          </u>
Total liabilities and fund equity	<u>\$ 609</u>	<u>\$ 637</u>

The notes to the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**  
**PARKS ENDOWMENT SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND EQUITY - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
(With comparative totals from the year ended June 30, 2005)

	2006			2005
	AMENDED BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUE :				
Interest	\$ -	\$ 2	\$ 2	\$ 3
Other - Donations	-	-	-	-
Total revenues	-	2	2	3
EXPENDITURES:				
Recreation and cultural:				
Community promotion	-	-	-	-
Miscellaneous	-	30	(30)	639
Capital outlay	-	-	-	-
Total expenditures	-	30	(30)	639
EXCESS OF REVENUES OVER EXPENDITURES	-	(28)	(28)	(636)
FUND BALANCE - Beginning of year	637	637	-	1,273
FUND BALANCE - End of year	\$ 637	\$ 609	\$ (28)	\$ 637

The notes to the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**

**ADDITIONAL INFORMATION**

**INDIVIDUAL FUND FINANCIAL STATEMENTS - PROPRIETARY FUNDS:**  
(All include 2005 actual amounts for comparison)

**SEWER #1 ENTERPRISE FUND:**

STATEMENT OF NET ASSETS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
STATEMENT OF CASH FLOWS

**SEWER #2 ENTERPRISE FUND:**

STATEMENT OF NET ASSETS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
STATEMENT OF CASH FLOWS

**SEWER #9 ENTERPRISE FUND:**

STATEMENT OF NET ASSETS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
STATEMENT OF CASH FLOWS

**WATER #1 ENTERPRISE FUND:**

STATEMENT OF NET ASSETS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
STATEMENT OF CASH FLOWS

**NAPOLEON TOWNSHIP**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS - SEWER DISTRICT #1 FUND**  
**JUNE 30, 2006**  
(With comparative totals from June 30, 2005)

	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 469,537	\$ 91,612
Investments	-	320,000
Accounts receivable	8,440	7,919
Interest receivable	-	1,634
Special assessments receivable - Current	51,934	53,400
Due from other funds	1,673	1,549
Total current assets	<u>531,584</u>	<u>476,114</u>
<b>NONCURRENT ASSETS:</b>		
Capital assets not being depreciated	-	-
Capital assets being depreciated, net	1,203,716	1,238,123
Investments in joint venture	-	-
Special assessments receivable - Long Term	681,538	746,489
Total noncurrent assets	<u>1,885,254</u>	<u>1,984,612</u>
 Total assets	 <u>2,416,838</u>	 <u>2,460,726</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	17,677	5,982
Capital lease payable - Current portion	50,000	50,000
Accrued interest payable	7,229	7,739
Due to other funds	517	-
Deferred revenue	8,863	8,629
Total current liabilities	<u>84,286</u>	<u>72,350</u>
<b>NONCURRENT LIABILITIES:</b>		
Capital lease payable - Long term portion	900,000	950,000
Total long term liabilities	<u>900,000</u>	<u>950,000</u>
 Total liabilities	 <u>984,286</u>	 <u>1,022,350</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	253,716	238,123
Restricted for Capital Lease Retirement	844,660	806,282
Unrestricted	334,176	393,971
Total net assets	<u>\$ 1,432,552</u>	<u>\$ 1,438,376</u>

The notes to the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS - SEWER DISTRICT #1 FUND**  
**THE YEAR ENDED JUNE 30, 2006**  
(With comparative totals from the year ended June 30, 2005)

	<u>2006</u>	<u>2005</u>
OPERATING REVENUES:		
Charges for services:		
Usage	\$ 96,853	\$ 103,714
Other:		
Penalties	694	2,244
Miscellaneous	-	3,862
Total other revenue	<u>694</u>	<u>6,106</u>
Total operating revenues	<u>97,547</u>	<u>109,820</u>
OPERATING EXPENSES:		
Operating supplies	-	-
Administrative and legal	11,341	13,797
Printing and publications	-	-
Insurance and bonds	517	496
Utilities	2,100	1,814
Treatment/transportation fees	53,160	53,383
Repairs and maintenance	25,689	24,931
Depreciation	34,407	34,407
Miscellaneous	418	314
Total operating expenses	<u>127,632</u>	<u>129,142</u>
OPERATING INCOME (LOSS)	<u>(30,085)</u>	<u>(19,322)</u>
NONOPERATING REVENUES (EXPENSES):		
Connection fees	36,224	12,744
Connection expenses	(26,936)	(9,061)
Interest income	60,937	58,757
Interest expenses	(45,964)	(49,287)
Net nonoperating revenues (expenses)	<u>24,261</u>	<u>13,153</u>
CHANGE IN NET ASSETS	(5,824)	(6,169)
NET ASSETS - Beginning of year	<u>1,438,376</u>	<u>1,444,545</u>
NET ASSETS - End of year	<u>\$ 1,432,552</u>	<u>\$ 1,438,376</u>

The notes to the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS - SEWER DISTRICT #1 FUND**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
(With comparative totals from the year ended June 30, 2005)

	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 97,260	\$ 108,547
Cash payments for goods and services	(81,137)	(112,249)
Net cash from operating activities	<u>16,123</u>	<u>(3,702)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Investment in joint venture	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Special assessment installments collected	122,644	140,525
Principal payments	(50,000)	(50,000)
Interest payments	(46,474)	(49,850)
Purchases of capital assets	-	-
Net cash from capital and related financing activities	<u>26,170</u>	<u>40,675</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Receipt of interest	15,632	5,056
Proceeds from investments	320,000	-
Purchase of investments	-	(320,000)
Net cash from investing activities	<u>335,632</u>	<u>(314,944)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>377,925</b>	<b>(277,971)</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<u><b>91,612</b></u>	<u><b>369,583</b></u>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<u><b>\$ 469,537</b></u>	<u><b>\$ 91,612</b></u>

The notes to the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**  
**STATEMENT OF CASH FLOWS - Continued**  
**PROPRIETARY FUNDS - SEWER DISTRICT #1 FUND**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
(With comparative totals from the year ended June 30, 2005)

	<u>2006</u>	<u>2005</u>
A reconciliation of income from operations to net cash from operating activities is as follows:		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ (30,085)	\$ (28,383)
Adjustments to reconcile operating income to net cash from operating activities -		
Depreciation	34,407	34,407
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(521)	(1,173)
Interest receivable	-	-
Due from other funds	(124)	341
(Decrease) increase in liabilities:		
Accounts payable	11,695	(6,584)
Due to other funds	517	(1,869)
Deferred revenue	234	819
	<u>\$ 16,123</u>	<u>\$ (2,442)</u>
Net cash from operating activities		

The notes to the financial statements are an integral part of this statement.



**NAPOLEON TOWNSHIP**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS - SEWER DISTRICT #2 FUND**  
**JUNE 30, 2006**  
(With comparative totals from June 30, 2005)

	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 46,244	\$ 317,257
Investments	-	-
Accounts receivable	9,752	7,737
Special assessments receivable - Current	139,507	148,122
Due from other funds	91,314	91,586
Total current assets	<u>286,817</u>	<u>564,702</u>
<b>NONCURRENT ASSETS:</b>		
Capital assets not being depreciated	-	-
Capital assets being depreciated, net	3,600,783	3,700,805
Investments in joint venture	815,397	558,879
Special assessments receivable - Long Term	1,682,861	1,887,127
Total noncurrent assets	<u>6,099,041</u>	<u>6,146,811</u>
Total assets	<u>6,385,858</u>	<u>6,711,513</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	6,288	6,276
Capital lease payable - Current portion	191,825	191,825
Accrued interest payable	38,461	43,712
Due to other funds	919	919
Deferred revenue	9,529	9,510
Total current liabilities	<u>247,022</u>	<u>252,242</u>
<b>NONCURRENT LIABILITIES:</b>		
Capital lease payable - Long term portion	<u>2,762,280</u>	<u>2,954,105</u>
Total long term liabilities	<u>2,762,280</u>	<u>2,954,105</u>
Total liabilities	<u>3,009,302</u>	<u>3,206,347</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	646,678	554,875
Restricted for Capital Lease Retirement	2,654,915	2,846,544
Unrestricted	74,963	103,747
Total net assets	<u>\$ 3,376,556</u>	<u>\$ 3,505,166</u>

The notes to the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS - SEWER DISTRICT #2 FUND**  
**THE YEAR ENDED JUNE 30, 2006**  
(With comparative totals from the year ended June 30, 2005)

	<u>2006</u>	<u>2005</u>
OPERATING REVENUES:		
Charges for services:		
Usage	\$ 113,963	\$ 114,407
Other:		
Penalties	488	1,286
Miscellaneous	-	-
Total other revenue	488	1,286
Total operating revenues	<u>114,451</u>	<u>115,693</u>
OPERATING EXPENSES:		
Operating supplies	-	-
Administrative and legal	28,912	19,230
Printing and publications	-	-
Insurance and bonds	272	262
Utilities	697	1,850
Treatment/transportation fees	75,155	79,884
Repairs and maintenance	7,421	-
Depreciation	100,022	100,022
Miscellaneous	604	1,118
Total operating expenses	<u>213,083</u>	<u>202,366</u>
OPERATING INCOME	<u>(98,632)</u>	<u>(86,673)</u>
NONOPERATING REVENUES (EXPENSES):		
Connection fees	7,525	1,195
Connection expenses	(10,316)	(8,195)
Interest income	137,183	149,212
Interest expenses	(164,370)	(177,438)
Net nonoperating revenues (expenses)	<u>(29,978)</u>	<u>(35,226)</u>
CHANGE IN NET ASSETS	<u>(128,610)</u>	<u>(121,899)</u>
RETAINED EARNINGS - Beginning of year	<u>3,505,166</u>	<u>3,627,065</u>
RETAINED EARNINGS - End of year	<u>\$ 3,376,556</u>	<u>\$ 3,505,166</u>

The notes to the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS - SEWER DISTRICT #2 FUND**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
(With comparative totals from the year ended June 30, 2005)

	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 112,455	\$ 112,176
Cash payments for goods and services	(112,777)	(112,594)
Net cash from operating activities	<u>(322)</u>	<u>(418)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Investment in joint venture	<u>(256,518)</u>	<u>348,913</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Special assessment installments collected	345,554	369,890
Special assessment collections held by other Funds	-	(91,586)
Principal payments	(191,825)	(191,825)
Interest payments	(169,621)	(180,028)
Purchases of capital assets	-	-
Net cash from capital and related financing activities	<u>(15,892)</u>	<u>(93,549)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Receipt of interest	1,719	1,434
Proceeds from investments	-	-
Purchase of investments	-	-
Net cash from investing activities	<u>1,719</u>	<u>1,434</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(271,013)</b>	<b>256,380</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<b><u>317,257</u></b>	<b><u>60,877</u></b>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<b><u>\$ 46,244</u></b>	<b><u>\$ 317,257</u></b>

The notes to the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**  
**STATEMENT OF CASH FLOWS - Continued**  
**PROPRIETARY FUNDS - SEWER DISTRICT #2 FUND**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
(With comparative totals from the year ended June 30, 2005)

	<u>2006</u>	<u>2005</u>
A reconciliation of income from operations to net cash from operating activities is as follows:		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ (98,632)	\$ (94,868)
Adjustments to reconcile operating income to net cash from operating activities -		
Depreciation	100,022	100,022
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(2,015)	(2,467)
Due from other funds	272	-
(Decrease) increase in liabilities:		
Accounts payable	12	(2,055)
Due to other funds	-	(1,782)
Due to other governments	-	-
Deferred revenue	19	732
	<u>19</u>	<u>732</u>
Net cash from operating activities	<u>\$ (322)</u>	<u>\$ (418)</u>

The notes to the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS - SEWER DISTRICT #9 FUND**  
**JUNE 30, 2006**  
(With comparative totals from June 30, 2005)

	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 243,082	\$ 215,824
Investments	-	-
Accounts receivable	6,508	5,630
Special assessments receivable - Current	-	-
Due from other funds	-	-
Total current assets	<u>249,590</u>	<u>221,454</u>
<b>NONCURRENT ASSETS:</b>		
Capital assets not being depreciated	-	-
Capital assets being depreciated, net	528,154	556,065
Investments in joint venture	-	-
Special assessments receivable - Long Term	-	-
Total noncurrent assets	<u>528,154</u>	<u>556,065</u>
 Total assets	 <u>777,744</u>	 <u>777,519</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	3,838	3,589
Capital lease payable - Current portion	-	-
Accrued interest payable	-	-
Due to other funds	402	-
Deferred revenue	6,813	6,814
Total current liabilities	<u>11,053</u>	<u>10,403</u>
<b>NONCURRENT LIABILITIES</b>		
Capital lease payable - Long term portion	-	-
Total long term liabilities	<u>-</u>	<u>-</u>
 Total liabilities	 <u>11,053</u>	 <u>10,403</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	528,154	556,065
Restricted for Capital Lease Retirement	-	-
Unrestricted	238,537	211,051
Total net assets	<u>\$ 766,691</u>	<u>\$ 767,116</u>

The notes to the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS - SEWER DISTRICT #9 FUND**  
**THE YEAR ENDED JUNE 30, 2006**  
(With comparative totals from the year ended June 30, 2005)

	<u>2006</u>	<u>2005</u>
OPERATING REVENUES:		
Charges for services:		
Usage	\$ 81,675	\$ 81,946
Other:		
Penalties	1,587	928
Miscellaneous	-	-
Total other revenue	<u>1,587</u>	<u>928</u>
Total operating revenues	<u>83,262</u>	<u>82,874</u>
OPERATING EXPENSES:		
Operating supplies	-	-
Administrative and legal	12,764	14,378
Printing and publications	-	-
Insurance and bonds	402	374
Utilities	2,028	1,738
Treatment/transportation fees	30,085	23,958
Repairs and maintenance	18,054	5,327
Depreciation	27,911	27,911
Miscellaneous	48	-
Total operating expenses	<u>91,292</u>	<u>73,686</u>
OPERATING INCOME (LOSS)	<u>(8,030)</u>	<u>9,188</u>
NONOPERATING REVENUES (EXPENSES):		
Connection fees	-	1,200
Connection expenses	-	(844)
Interest income	7,605	2,761
Interest expenses	-	-
Net nonoperating revenues (expenses)	<u>7,605</u>	<u>3,117</u>
CHANGE IN NET ASSETS	(425)	12,305
NET ASSETS - Beginning of year	<u>767,116</u>	<u>754,811</u>
NET ASSETS - End of year	<u>\$ 766,691</u>	<u>\$ 767,116</u>

The notes to the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS - SEWER DISTRICT #9 FUND**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
(With comparative totals from the year ended June 30, 2005)

	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 82,383	\$ 82,165
Cash payments for goods and services	(62,730)	(51,882)
Net cash from operating activities	<u>19,653</u>	<u>30,283</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Intergovernmental receivable	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Special assessment installments collected	-	356
Principal payments	-	-
Interest payments	-	-
Purchases of capital assets	-	-
Net cash from capital and related financing activities	<u>-</u>	<u>356</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Receipt of interest	7,605	2,761
Proceeds from investments	-	-
Purchase of investments	-	-
Net cash from investing activities	<u>7,605</u>	<u>2,761</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>27,258</b>	<b>33,400</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<b><u>215,824</u></b>	<b><u>182,424</u></b>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<b><u>\$ 243,082</u></b>	<b><u>\$ 215,824</u></b>

The notes to the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**  
**STATEMENT OF CASH FLOWS - Continued**  
**PROPRIETARY FUNDS - SEWER DISTRICT #9 FUND**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
(With comparative totals from the year ended June 30, 2005)

	<u>2006</u>	<u>2005</u>
A reconciliation of income from operations to net cash from operating activities is as follows:		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ (8,030)	\$ 9,188
Adjustments to reconcile operating income to net cash from operating activities -		
Depreciation	27,911	27,911
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(878)	(672)
Due from other funds	-	-
(Decrease) increase in liabilities:		
Accounts payable	249	(4,113)
Due to other funds	402	(1,994)
Due to other governments	-	-
Deferred revenue	(1)	(37)
	<u>\$ 19,653</u>	<u>\$ 30,283</u>
Net cash from operating activities		

The notes to the financial statements are an integral part of this statement.



**NAPOLEON TOWNSHIP**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS - WATER DISTRICT #1 FUND**  
**JUNE 30, 2006**  
(With comparative totals from June 30, 2005)

	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 82,280	\$ 64,296
Investments	-	-
Accounts receivable	4,862	5,605
Special assessments receivable - Current	2,068	1,084
Due from other funds	1,084	-
Total current assets	<u>90,294</u>	<u>70,985</u>
<b>NONCURRENT ASSETS:</b>		
Capital assets not being depreciated	34,450	34,450
Capital assets being depreciated, net	1,467,875	1,503,718
Investments in joint ventures	-	-
Special assessments receivable - Long Term	11,269	1,671
Total noncurrent assets	<u>1,513,594</u>	<u>1,539,839</u>
 Total assets	 <u>1,603,888</u>	 <u>1,610,824</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	1,498	784
Capital lease payable - Current portion	-	-
Accrued interest payable	-	-
Due to other funds	803	-
Deferred revenue	2,632	2,632
Total current liabilities	<u>4,933</u>	<u>3,416</u>
<b>NONCURRENT LIABILITIES:</b>		
Capital lease payable - Long term portion	-	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>
 Total liabilities	 <u>4,933</u>	 <u>3,416</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	1,502,325	1,538,168
Restricted for Capital Lease Retirement	-	-
Unrestricted	96,630	69,240
Total net assets	<u>\$ 1,598,955</u>	<u>\$ 1,607,408</u>

The notes to the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS - WATER DISTRICT #1 FUND**  
**THE YEAR ENDED JUNE 30, 2006**  
(With comparative totals from the year ended June 30, 2005)

	<u>2006</u>	<u>2005</u>
OPERATING REVENUES:		
Charges for services:		
Usage	\$ 31,581	\$ 31,224
Other:		
Penalties	425	445
Miscellaneous	-	-
Total other revenue	<u>425</u>	<u>445</u>
Total operating revenues	<u>32,006</u>	<u>31,669</u>
OPERATING EXPENSES:		
Operating supplies	5,074	2,090
Administrative and legal	5,674	5,990
Printing and publications	-	-
Insurance and bonds	679	646
Utilities	1,269	1,624
Treatment/transportation fees	-	-
Repairs and maintenance	8,452	14,310
Depreciation	35,843	35,843
Miscellaneous	74	182
Total operating expenses	<u>57,065</u>	<u>60,685</u>
OPERATING INCOME (LOSS)	<u>(25,059)</u>	<u>(29,016)</u>
NONOPERATING REVENUES (EXPENSES):		
Connection fees	14,150	2,650
Connection expenses	-	-
Interest income	2,456	1,194
Interest expense	-	-
Net nonoperating revenues (expenses)	<u>16,606</u>	<u>3,844</u>
CHANGE IN NET ASSETS	<u>(8,453)</u>	<u>(25,172)</u>
NET ASSETS - Beginning of year	<u>1,607,408</u>	<u>1,632,580</u>
NET ASSETS - End of year	<u>\$ 1,598,955</u>	<u>\$ 1,607,408</u>

The notes to the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS - WATER DISTRICT #1 FUND**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
(With comparative totals from the year ended June 30, 2005)

	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 32,873	\$ 30,489
Cash payments for goods and services	<u>(19,829)</u>	<u>(24,656)</u>
Net cash from operating activities	<u>13,044</u>	<u>5,833</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Investment in joint venture	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Special assessment installments collected	2,650	3,569
Principal payments	-	-
Interest payments	-	-
Purchases of capital assets	<u>-</u>	<u>-</u>
Net cash from capital and related financing activities	<u>2,650</u>	<u>3,569</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Receipt of interest	2,290	1,194
Proceeds from investments	-	-
Purchase of investments	<u>-</u>	<u>-</u>
Net cash from investing activities	<u>2,290</u>	<u>1,194</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>17,984</b>	<b>10,596</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<u><b>64,296</b></u>	<u><b>53,700</b></u>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<u><u><b>\$ 82,280</b></u></u>	<u><u><b>\$ 64,296</b></u></u>

The notes to the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**  
**STATEMENT OF CASH FLOWS - Continued**  
**PROPRIETARY FUNDS - WATER DISTRICT #1 FUND**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
(With comparative totals from the year ended June 30, 2005)

	<u>2006</u>	<u>2005</u>
A reconciliation of income from operations to net cash from operating activities is as follows:		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ (25,059)	\$ (29,016)
Adjustments to reconcile operating income to net cash from operating activities -		
Depreciation	35,843	35,843
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	743	(308)
Special Assessments receivable	-	-
Due from other funds	-	-
(Decrease) increase in liabilities:		
Accounts payable	714	186
Due to other funds	803	(872)
Due to other governments	-	-
Deferred revenue	-	-
	<u>\$ 13,044</u>	<u>\$ 5,833</u>
Net cash from operating activities		

The notes to the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**  
**PENSION TRUST FUND**  
**BALANCE SHEET**  
**JUNE 30, 2006**  
(With comparative totals from June 30, 2005)

	<u>2006</u>	<u>2005</u>
<b>ASSETS -</b>		
Investments	\$ 1,656,763	\$ 1,469,420
Accounts receivable	198	-
Investments	<u>\$ 1,656,961</u>	<u>\$ 1,469,420</u>
 <b>FUND EQUITY -</b>		
Reserved	<u>\$ 1,656,961</u>	<u>\$ 1,469,420</u>

The notes to the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**  
**PENSION TRUST FUND**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30 2006**  
(With comparative totals from the year ended June 30, 2005)

	<u>2006</u>	<u>2005</u>
OPERATING REVENUES:		
Investment income	\$ 137,074	\$ 131,919
Employee contributions	27,076	25,128
Employer contributions	33,504	32,733
Total operating revenues	<u>197,654</u>	<u>189,780</u>
OPERATING EXPENSES:		
Asset management fees	10,113	11,406
Employee withdrawals	-	38,245
Total operating expenses	<u>10,113</u>	<u>49,651</u>
NET INCOME	187,541	140,129
FUND BALANCE - Beginnng of year	<u>1,469,420</u>	<u>1,329,291</u>
FUND BALANCE - End of year	<u><u>\$ 1,656,961</u></u>	<u><u>\$ 1,469,420</u></u>

The notes to the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**  
**AGENCY FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2006**  
(With comparative totals from June 30, 2005)

	TRUST AND AGENCY	CURRENT TAX	TOTALS	
			2006	2005
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 19,915	\$ 100,371	\$ 120,286	\$ 23,064
Due from other funds	-	2,060	2,060	28,541
Due from other governments	-	3,390	3,390	69,524
Total assets	<u>\$ 19,915</u>	<u>\$ 105,821</u>	<u>\$ 125,736</u>	<u>\$ 121,129</u>
 <b>LIABILITIES:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 2,449
Due to other funds	77	97,111	97,188	92,021
Due to others	19,498	7,500	26,998	26,276
Due to other governments	340	1,210	1,550	383
Deferred revenue	-	-	-	-
	<u>\$ 19,915</u>	<u>\$ 105,821</u>	<u>\$ 125,736</u>	<u>\$ 121,129</u>

The notes to the financial statements are an integral part of this statement.

**NAPOLEON TOWNSHIP**  
**AGENCY FUNDS**  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	TRUST AND AGENCY FUND			
	BALANCE 7/1/05	COLLECTIONS	PAYMENTS	BALANCE 6/30/06
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 22,904	\$ 7,413	\$ 10,402	\$ 19,915
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Total assets	<u>\$ 22,904</u>	<u>\$ 7,413</u>	<u>\$ 10,402</u>	<u>\$ 19,915</u>
<b>LIABILITIES:</b>				
Accounts payable	\$ 2,449	\$ -	\$ 2,449	\$ -
Due to other funds	76	298	297	77
Due to others	19,996	5,623	6,121	19,498
Due to other governments	383	1,492	1,535	340
Deferred revenue	-	-	-	-
	<u>\$ 22,904</u>	<u>\$ 7,413</u>	<u>\$ 10,402</u>	<u>\$ 19,915</u>

The notes to the financial statements are an integral part of this statement.



**CURRENT TAX FUND**

<u>BALANCE</u> <u>7/1/05</u>	<u>COLLECTIONS</u>	<u>PAYMENTS</u>	<u>BALANCE</u> <u>6/30/06</u>
\$ 160	\$ 7,254,426	\$ 7,154,215	\$ 100,371
28,541	(26,481)	-	2,060
69,524	(69,524)	(3,390)	3,390
<u>\$ 98,225</u>	<u>\$ 7,158,421</u>	<u>\$ 7,150,825</u>	<u>\$ 105,821</u>

\$ -	\$ -	\$ -	\$ -
91,945	820,534	815,368	97,111
6,280	26,223	25,003	7,500
-	6,311,664	6,310,454	1,210
-	-	-	-
<u>\$ 98,225</u>	<u>\$ 7,158,421</u>	<u>\$ 7,150,825</u>	<u>\$ 105,821</u>

**NAPOLEON TOWNSHIP**  
**SCHEDULES OF PRINCIPAL AND INTEREST REQUIREMENTS**

**GENERAL OBLIGATION BONDS PAYABLE:**

NAPOLEON TOWNSHIP MUNICIPAL BUILDING BONDS - \$3,215,000

**CAPITAL LEASES PAYABLE:**

JACKSON COUNTY WASTEWATER DISPOSAL FACILITY  
(Napoleon Village Section) - \$1,125,000

JACKSON COUNTY WASTEWATER DISPOSAL FACILITY  
(Wolf Lake Section - 76.73% of Total) - \$3,759,770

**NAPOLEON TOWNSHIP**  
**SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS**  
**NAPOLEON TOWNSHIP MUNICIPAL BUILDING**  
**BONDS - DATED SEPTEMBER 1, 2000 (\$3,215,000)**  
**AS OF JUNE 30, 2006**

PAYMENT DATE	PRINCIPAL DUE	INTEREST RATE	INTEREST DUE	TOTAL PAYMENT	FISCAL YEAR TOAL
11/01/05			\$ 73,506	\$ 73,506	
05/01/06	\$ 115,000	7.00%	73,506	188,506	\$ 262,012
11/01/06			69,482	69,482	
05/01/07	125,000	6.00%	69,482	194,482	263,964
11/01/07			65,731	65,731	
05/01/08	150,000	5.05%	65,731	215,731	281,462
11/01/08			61,944	61,944	
05/01/09	150,000	5.10%	61,944	211,944	273,888
11/01/09			58,119	58,119	
05/01/10	150,000	5.20%	58,119	208,119	266,238
11/01/10			54,219	54,219	
05/01/11	175,000	5.30%	54,219	229,219	283,438
11/01/11			49,581	49,581	
05/01/12	175,000	6.00%	49,581	224,581	274,162
11/01/12			44,331	44,331	
05/01/13	200,000	5.05%	44,331	244,331	288,662
11/01/13			39,282	39,282	
05/01/14	200,000	5.10%	39,282	239,282	278,564
11/01/14			34,181	34,181	
05/01/15	200,000	5.20%	34,181	234,181	268,362
11/01/15			28,981	28,981	
05/01/16	225,000	5.30%	28,981	253,981	282,962
11/01/16			23,019	23,019	
05/01/17	225,000	5.35%	23,019	248,019	271,038
11/01/17			17,000	17,000	
05/01/18	250,000	4.00%	17,000	267,000	284,000
11/01/18			12,000	12,000	
05/01/19	275,000	4.00%	12,000	287,000	299,000
11/01/19			6,500	6,500	
05/01/20	325,000	4.00%	6,500	331,500	338,000
	<u>\$ 2,940,000</u>		<u>\$ 1,275,752</u>	<u>\$ 4,215,752</u>	<u>\$ 4,215,752</u>

**NAPOLEON TOWNSHIP**  
**SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS**  
**JACKSON COUNTY WASTEWATER DISPOSAL FACILITY**  
**(NAPOLEON VILLAGE SECTION) BONDS DATED JULY 1, 2001 (\$1,125,000)**  
**AS OF JUNE 30, 2006**

PAYMENT DATE	PRINCIPAL DUE	INTEREST RATE	INTEREST DUE	TOTAL PAYMENT	FISCAL YEAR TOAL
11/01/05			\$ 23,238	\$ 23,238	
05/01/06	\$ 50,000	6.13%	23,238	73,238	\$ 96,476
11/01/06			21,706	21,706	
05/01/07	50,000	3.80%	21,706	71,706	93,412
11/01/07			20,756	20,756	
05/01/08	50,000	4.00%	20,756	70,756	91,512
11/01/08			19,756	19,756	
05/01/09	50,000	4.10%	19,756	69,756	89,512
11/01/09			18,731	18,731	
05/01/10	50,000	4.20%	18,731	68,731	87,462
11/01/10			17,681	17,681	
05/01/11	75,000	4.30%	17,681	92,681	110,362
11/01/11			16,069	16,069	
05/01/12	75,000	4.40%	16,069	91,069	107,138
11/01/12			14,419	14,419	
05/01/13	75,000	4.50%	14,419	89,419	103,838
11/01/13			12,731	12,731	
05/01/14	75,000	4.60%	12,731	87,731	100,462
11/01/14			11,006	11,006	
05/01/15	75,000	4.70%	11,006	86,006	97,012
11/01/15			9,244	9,244	
05/01/16	75,000	4.80%	9,244	84,244	93,488
11/01/16			7,444	7,444	
05/01/17	75,000	4.85%	7,444	82,444	89,888
11/01/17			5,625	5,625	
05/01/18	75,000	5.00%	5,625	80,625	86,250
11/01/18			3,750	3,750	
05/01/19	75,000	5.00%	3,750	78,750	82,500
11/01/19			1,875	1,875	
05/01/20	75,000	5.00%	1,875	76,875	78,750
	<u>\$ 1,000,000</u>		<u>\$ 408,062</u>	<u>\$ 1,408,062</u>	<u>\$ 1,408,062</u>

**NAPOLEON TOWNSHIP**  
**SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS**  
**JACKSON COUNTY WASTEWATER DISPOSAL FACILITY**  
**(WOLF LAKE SECTION) BONDS DATED MARCH 1, 2000 (\$4,900,000)**  
**(NAPOLEON TOWNSHIP PORTION ONLY - 76.73% OF TOTAL)**  
**AS OF JUNE 30, 2006**

PAYMENT DATE	PRINCIPAL DUE	INTEREST RATE	INTEREST DUE	TOTAL PAYMENT	FISCAL YEAR TOAL
10/01/05	\$ 191,825	6.75%	\$ 87,424	\$ 279,249	
04/01/06			82,197	82,197	\$ 361,446
10/01/06	191,825	6.13%	82,197	274,022	
04/01/07			76,922	76,922	350,944
10/01/07	191,825	3.80%	76,922	268,747	
04/01/08			71,647	71,647	340,394
10/01/08	191,825	4.00%	71,647	263,472	
04/01/09			66,275	66,275	329,747
10/01/09	191,825	4.10%	66,276	258,101	
04/01/10			61,048	61,048	319,149
10/01/10	211,007	4.20%	61,048	272,055	
04/01/11			55,246	55,246	327,301
10/01/11	211,008	4.30%	55,245	266,253	
04/01/12			49,548	49,548	315,801
10/01/12	211,007	4.40%	49,549	260,556	
04/01/13			43,746	43,746	304,302
10/01/13	211,008	4.50%	43,745	254,753	
04/01/14			37,943	37,943	292,696
10/01/14	211,007	4.60%	37,943	248,950	
04/01/15			32,035	32,035	280,985
10/01/15	211,008	4.70%	32,035	243,043	
04/01/16			26,126	26,126	269,169
10/01/16	230,190	4.80%	26,127	256,317	
04/01/17			19,681	19,681	275,998
10/01/17	230,190	4.85%	19,681	249,871	
04/01/18			13,121	13,121	262,992
10/01/18	230,190	5.00%	13,121	243,311	
04/01/19			6,560	6,560	249,871
10/01/19	230,190	5.00%	6,560	236,750	236,750
	<u>\$ 3,145,930</u>		<u>\$ 1,371,615</u>	<u>\$ 4,517,545</u>	<u>\$ 4,517,545</u>

**MARKOWSKI & COMPANY**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
2880 SPRING ARBOR ROAD • JACKSON • MICHIGAN • 49203  
PHONE (517) 782-9351  
FAX (517) 782-0599

K. LAVERNE MARKOWSKI, C.P.A.  
RONALD L. MARKOWSKI, C.P.A.  
DOUGLAS E. ATKINS, C.P.A.

**MEMBERS:**  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
  
MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS  
  
ESTATE PLANNING COUNCIL OF  
SOUTH CENTRAL MICHIGAN

**COMMUNICATION OF AUDITOR/TOWNSHIP RESPONSIBILITY  
WITH ATTACHED MEMORANDUM OF COMMENTS AND RECOMMENDATIONS**

Board of Trustees  
Napoleon Township  
Napoleon, Michigan

We have audited the financial statements of Napoleon Township as of and for the year ended June 30, 2006, and have issued our report thereon dated December 20, 2006. Professional standards require that we provide you with the following information related to our audit.

**Our responsibility under Generally Accepted Auditing Standards**

As stated in our engagement letter dated October 16, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatement may exist and not be detected by us.

As part of our audit, we considered the internal control of Napoleon Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

**Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Napoleon Township are described in Note 1 to the financial statements.

The Township did not adopt any new accounting policies during its fiscal year ended June 30, 2006.

**Significant Accounting Policies** (Continued)

We noted no transactions entered into by Napoleon Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

**Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the valuation of capital assets.

We evaluated the estimated value of each of the assets to determine that the assumptions used in management's estimates are reasonable.

**Significant Audit Adjustments**

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Napoleon Township that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We did record several audit adjustments including some (such as recording depreciation in the Sewer and Water funds, and expense accrual postings) that could, in our judgment, either individually or in the aggregate, have a significant effect on the Napoleon Township's reporting process.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Issues Discussed Prior to Retention of Independent Auditors**

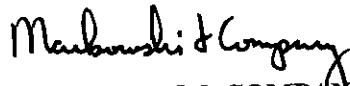
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Napoleon Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Difficulties Encountered in Performing the Audit**

The staff at the Township was extremely helpful and cooperative during our audit. We encountered no difficulties in completing our audit. We did note instances which we believe warrant Board attention. These are discussed in the attached memorandum of comments and recommendations.

This information is intended solely for the use of the Township Board and management of Napoleon Township and should not be used for any other purpose.

Very truly yours,

  
**MARKOWSKI & COMPANY CPAs**  
December 20, 2006



## **NAPOLEON TOWNSHIP**

### **MEMORANDUM OF COMMENTS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2006**

Recent audits of the Township have shown great improvement in the financial reporting process, while noting a continuing need for improvements. We are very happy to report that the Township staff has continued to do an excellent job with the Township's accounting.

#### **FOLLOW UP ON 2005 COMMENTS AND RECOMMENDATIONS:**

##### **Finding 05-1: Current Tax Distributions:**

Last year, we noted overpayments to units, including one for over \$60,000. While our audit uncovered a \$3,000 overpayment to the schools this year, the current tax distributions were more accurate this year.

We continue to recommend that the Treasurer review the general ledger postings, and reconcile any differences between the tax records and general ledger on a monthly basis. The major differences this year were the result of distribution checks being posted to a different general ledger account than the receipts were posted to (a separate account has been established for each tax levy collected by the township). Monitoring the general ledger on a monthly basis will allow any errors to be corrected in a more timely manner.

##### **Finding 05-2: Special Assessments:**

Last year's audit revealed that collections posted to the special assessment detail system did not balance with the postings to the Township general ledger. We are pleased to note that this problem has been corrected. The Treasurer balanced these postings during the year, and all cash received by the Township was properly applied to the special assessment detail ledger.

##### **Finding 05-3: Utility Fund Revenue Recognition:**

The Township was not recognizing revenue at the time billings were generated during 2004/5, as should occur under generally accepted accounting principles. This problem has been corrected during 2005/6, and all revenue is now being properly recognized.

##### **Finding 05-4: Debt Service Accounting in the Utility Funds:**

The 2005/6 debt payments were properly recorded in the sewer funds, and last year's problems have been corrected.

Our comments resulting from the current year audit are presented on the following page.

## **2006 COMMENTS AND RECOMMENDATIONS**

### **Finding 06-1: Current Tax Disbursement Procedures:**

For the third straight year, we noted that there appears to be an overpayment to one of the other taxing units from 2005 tax collections. The Napoleon Community Schools were overpaid approximately \$3,300. Because the Current Tax Fund disburses all collections, the Township in effect covered this overpayment with its own funds. The overpayment occurred primarily due to Board of Review adjustments. As discussed in the follow up the 2005 comment, the general ledger postings should be reconciled monthly, which will reduce the opportunity for such errors.

### **Finding 06-2: Budgeting Procedures:**

As disclosed in the notes to the financial statements, there were a few areas in which the Township spent more money than had been budgeted. This is a violation of state law. The largest area in which budget was exceeded was capital outlays. This was again due to purchases late in the fiscal, with the corresponding grant revenue exceeding budgeted amounts as well. The Board needs to continue its monitoring of budget to actual results, particularly near the end of the fiscal year.

We would also recommend that the Board consider adopting a budget for all funds. All special revenue funds are required by state law to have a budget, and the Township did not adopt one as required for 2005/6. Although not required by law, we believe that budgets for other funds, such as the water and sewer funds, can also be a useful management tool.

### **Finding 06-03: Consolidation of Funds:**

The Township currently maintains separate funds for money donated for a fire fighter memorial, and to maintain and improve the Township parks.

We would recommend that the Board consider closing the Memorial Fund, and transfer the money to its Trust & Agency Fund. That way, the money can still be monitored to ensure it is properly spent, but the accounting will be simplified. The remaining amount left in the Parks fund is only \$609 as of June 30, 2006. Consideration should be given to consolidating this fund with the Improvement Revolving Fund. With the use of separate accounts, the use of this money can still be monitored while again streamlining the number of funds the Township uses.

### **Conclusion:**

Napoleon Township officials are to be commended for their attention to finances. The projects in process, such as the development of a five year financial plan and establishment of a Citizens Advisory Committee to review the Township's public safety needs (and the financing of them), should allow the Township to avoid the financial crisis that so many local units are enduring in today's slow economic times.

Napoleon Township  
Comments and Recommendations Memorandum  
Page Three

It has been a pleasure serving the Township during this past year. If anyone has questions regarding the items discussed in this memorandum, or if we can be of assistance with the implementation of any suggested changes, please feel free to contact us.

Sincerely,

  
**MARKOWSKI & COMPANY CPAs**  
December 20, 2006